MME Form 9
Rev. Mar. 59

UNITED STATES
DEPARTMENT OF THE INTERIOR
Office of Minerals Exploration

OFFICIAL DOCKET FILE

Contract No. 14-23- 2157 Docket No. MME-6168

Application
- [ ] Denied
- [ ] Withdrawn

Contract
- [ ] Terminated - Not Certified
- [ ] Terminated - Certified
- [ ] Cancelled
- [ ] Royalty Agreement

The records contained in this file are marked (x) and arranged in this order:

Folder No. 1:

Left Side

- [ ] Royalty Audits
- [ ] Certification of Discovery
- [✓] Closing Letter
- [X] Cost Audits Interim
- [X] Termination Notice or Agreement
- [ ] Recision Notice
- [x] Assignment of Contract **Govt.Consent 3/5/63**
- [x] Contract Amendments
- [X] Contract with all exhibits and annexes
- [ ] Owner's Consent to Lien and Subordination Agreement
- [x] Application and Attachments

Folder 1-A Geol.report & Maps

Right Side

- [ ] Project Summary (final)
- [ ] Work Completed Analysis (final)
- All other material filed in chronological order including the following reports if checked:
- [ ] Field Team Semiannual Report for Certified Project
- [X] Final Field Team Report (Tab)
- [x] Operator's Final Report (Tab) Waived, R-II memo 7/27/6
- [X] Interim Field Team Reports
- [X] Operator's monthly reports and all attachments
- [x] On-site Exam. Report (Tab) 10-30-61
- [ ] Settlement Sheets
- [ ] Drill Logs

Additional Folders:

Left Side

Folders No._____: Reports
- [ ] Analysis of Semiannual Inspection Reports
- [ ] Project Summary (Interim) by MME Engineers

Right Side

- [ ] Field Team Semiannual Report for Certified Project
- [ ] Field Team Interim Reports
- [ ] Operator's Monthly Reports with Transmittal, Narrative and Maps

Folders No._____: Maps (Use pocket folder or envelope)

Folders No._____: Settlement Sheets

Folders No._____: Drill Logs

Folders No._____: Royalty Material

Note

52615

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
1/12	Selfridge	120
	Johnson	110
		220

JAN 13 1966

Mr. H. A. Savage
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Savage:

Reference is made to the terminated exploration contract between San Simeon Keystone, Inc. and the Government.

We sincerely regret that the work performed did not result in a certification of possible production 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 contract. Attention, however, is called to the provisions of the contract which require the operator to keep and preserve certain records for the periods indicated.

We appreciate the interest and participation of San Simeon Keystone, Inc. in the OME exploration program.

Sincerely yours,

(signed) FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Messrs. Jack Selby and William J. Dawson
Charles E. Ogle
Oliver E. Lucas
Director's Reading File
Division File
Economic Geology File
OME Docket
OME Reading File
C. Curtin
Budget & Finance
Region II
Mr. Selfridge
120M

GCSelfridge/mm (1/12/66)

23263

United States
Department of the Interior

GEOLOGICAL SURVEY

OFFICE OF THE CHIEF AUDITOR

GEOLOGIC DIVISION

OFFICE OF MINERALS EXPLORATION

WASHINGTON, D.C.

Report of Review - Exploration Project Contract OME-6168 (Mercury) San Simeon Keystone, Inc., Assignee Keystone Mine San Luis Obispo County, California Contract 2157

Report Issued: October 1965

United States
Department of the Interior

GEOLOGICAL SURVEY

OFFICE OF THE CHIEF AUDITOR

GEOLOGIC DIVISION

OFFICE OF MINERALS EXPLORATION

WASHINGTON, D.C.

Report of Review - Exploration Project Contract OME-6168 (Mercury) San Simeon Keystone, Inc., Assignee Keystone Mine San Luis Obispo County, California Contract 2157

Report Issued: October 1965

Auditor-in-Charge: Clarence E. Fisher

Report Approved: William T. McClelland, Chief Auditor

Audit Performed During Period: October 11 to 15, 1965

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

OFFICE OF THE DIRECTOR

November 8, 1965

Memorandum

To: Director

From: Chief Auditor

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

The review of records and files of the Office of Minerals Exploration pertaining to the subject minerals exploration project disclosed that the contract was terminated prior to completion of the work as originally contemplated by the contractual agreement. Termination of the work prior to completion was agreed to by the Government on May 14, 1965, effective as of March 17, 1965.

The exploratory operations accomplished consisted of 1,357 feet of non-core surface drilling and 800 feet of underground drilling as provided by Stage I of the contract. The evaluation of the work actually accomplished indicated that there was insufficient justification for the performance of the crosscutting and drifting contemplated by Stage II of the contract. The Operator's final report called for by the contract and the Termination Agreement was waived on the basis that it would not provide any data not already in the possession of the Government. A certification of possible production from the property is not contemplated.

The review indicated that the exploratory operations were accomplished in a satisfactory manner and that accepted costs for Government participation on a 50 percent basis, were adequately supported by the available records and the payments made to the Operator aggregating $4,709.05 were valid and proper.

William T. McClelland

William T. McClelland

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REPORT OF REVIEW - EXPLORATION PROJECT CONTRACT
OME-6168 (MERCURY)
SAN SIMEON KEYSTONE, INC., ASSIGNEE
KEYSTONE MINE
SAN LUIS OBISPO COUNTY, CALIFORNIA
CONTRACT 2157

INTRODUCTION

By memorandum dated October 6, 1965, the Chief, Office of Minerals Exploration, U.S. Geological Survey, requested a Report of Review on the subject docket. The necessary examination of the records and preparation of the report was authorized by the Chief Auditor on October 11, 1965 under Audit Assignment No. 38 and was performed on October 11 to 15, 1965.

This contract was initially entered into on April 19, 1962, with Jack Selby and William J. Dawson, a partnership, and provided for completion of the exploration work within 12 months from the date of the contract. Prior to the performance of any of the work, the contract was assigned to San Simeon Keystone, Inc., by an Assignment of Contract effective December 17, 1962. On March 5, 1963, the Government consented to this assignment without releasing the Assignor from any of the terms, provisions and conditions of the contract, or any amendment (including a termination agreement) or assignment thereof. By subsequent amendments, the period fixed for completion of the work was extended to 36 months from the date of the contract or until April 19, 1965.

The purpose of the project was to explore for ores of mercury occurring as cinnabar disseminated in a sandstone lens by means of drilling and crosscutting and drifting in the Keystone mine property. The work was to be performed in two stages. Stage I was to consist of surface and underground drilling. Stage II was to consist of crosscutting and drifting, contingent upon favorable results of the Stage I work and prior approval of the Government.

Work under Stage I was performed during the months January to April 1963 and June to August 1964. It consisted of 1,357 feet of surface and 800 feet of underground drilling, including necessary site preparation. An evaluation of the drilling results indicated that there was insufficient justification for the performance of the crosscutting and drifting contemplated by Stage II. The contract was terminated effective March 17, 1965, by a Termination Agreement dated May 14, 1965.

SCOPE OF THE AUDIT

Our examination of the San Simeon Keystone, Inc., Assignee, Contract 2157 included a review of the monthly vouchers and supporting documents, comparison of the claimed costs with the contract and pertinent Schedules, confirmation of work performed by reference to reports and correspondence, and a determination of the reasonableness and propriety of the costs.

The principal objective of our examination was to determine the effectiveness of the contract administration and supervision as well as the degree of compliance by the contract Operator with the laws, policy determinations, and administrative regulations and procedures governing the Geological Survey and its predecessor minerals exploration agencies. The report represents our findings and conclusions, together with our recommendations where applicable.

AUDIT FINDINGS

The major portion of the work performed in connection with this exploration project was accomplished by subcontractors who were reimbursed on basis of number of units of work performed. Other acceptable costs were based on agreed unit rates specified in the contract.

The Field Officer, OME Region II, San Francisco, California, was the Government's field representative in connection with this exploration project. He certified the monthly reimbursement vouchers submitted by the Operator as being complete and accurate to the best of his knowledge and belief. By memorandum dated July 27, 1965, the Field Officer stated that the various units for which Government participation in costs had been requested had been completed by the Operator and accepted by the Field Officer as conforming to the contract specifications.

The examination consisted of a review of the records available in the Office of Minerals Exploration and the Branch of Budget and Finance at Washington, D.C. These records were considered adequate. Also, the administrative cost to the Government of an audit of the Operator's records would be excessive in relation to the amount of any possible exception.

The findings of this review are summarized below.

Total costs billed by Operator		$22,390.21
Exceptions (Exhibit A)		
Prior to this review	$12,972.12	
Current review	-0-	12,972.12
Total acceptable cost (Exhibit B)		$ 9,418.09

The contract calls for a 50 percent contribution of the allowable costs by the Government. Therefore, since the project has been otherwise accepted as having met the terms of the contract, the payments made to date of $4,709.05 are valid and proper.

EXHIBIT A

GEOLOGICAL SURVEY
DOCKET - OME-6168 (MERCURY)
CONTRACT 2157
SAN SIMEON KEYSTONE, INC., ASSIGNEE
SCHEDULE OF EXCEPTIONS

	Actual Cost	Exceptions
Category (1) Independent Contracts		
Underground drilling		
Claimed	$10,068.93	
Allowable (Exhibit B)	3,983.25	$6,085.68
Transportation of drill, etc.		
Claimed	$1,750.00	
Allowable (Exhibit B)	150.00	1,600.00
Category (2) Personal Services		
Supervision and Technical		1,236.96
Outside Consultants		1,142.21
Labor		1,530.00
Category (3) Operating Materials & Supplies		
Timber		545.57
Explosives		32.00
Pipe		
Claimed	$142.06	
Allowable (Exhibit B)	79.56	62.50
Category (4) Operating Equipment		
Rental		520.00
Category (7) Miscellaneous		
Employees liability insurance		750.00
Assays		56.00
Core boxes		83.20
Fixed Unit Costs		
Incidental allowance		
Claimed	$1,139.88	
Allowable (Exhibit B)	1,811.88	(672.00)
Total net exceptions		$12,972.12

EXHIBIT B

GEOLOGICAL SURVEY
DOCKET - OME-6168 (MERCURY)
CONTRACT 2157
SAN SIMEON KEYSTONE, INC., ASSIGNEE
SCHEDULE OF ALLOWABLE COSTS

		Accepted Costs
Category (1) Independent Contracts		
Surface Drilling, 1,357 feet @ $1.50/ft.		$2,035.50
Underground Drilling		
NX core size, 27 feet @ $6.75/ft.	$182.25	
BX core size, 709 feet @ $5.00/ft.	3,545.00	
AX core size, 64 feet @ $4.00/ft.	256.00	
Totals 800		3,983.25
Reaming, 11 feet @ $1.90/ft.		20.90
Transportation of drill & equipment to and from job		150.00
Category (3) Operating Materials & Supplies		
Pipe - 3 pieces 18" x 15' drains @ $1.70/ft., plus tax		79.56
Fixed Unit Costs		
Bulldozing to repair and maintain access roads, 38 hours @ $14.00/hr.		532.00
Bulldozing to clean benches and level drill sites and to construct earth dam, 45 hours @ $14.00/hr.		630.00
Clean spring, construct earth dam, install water system - job is unit		175.00
Incidental Allowance in lieu of all costs whatsoever, except those listed above, at rate of $0.84 per foot of drilling		
Claimed, 1,357 ft. @ $0.84/ft.	$1,139.88	
Additional, 800 ft. @ $0.84/ft.	672.00	1,811.88
Total allowable costs		$9,418.09

Government's Copy

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

TERMINATION AGREEMENT

It is agreed this 14th day of May, 1965, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government", and San Simeon Keystone, Inc., Assignee, hereinafter called the "Operator", parties to that certain Exploration Contract No. 2157 (OME-6168), dated April 19, 1962, as amended, hereinafter called the "Contract", that:

1. Effective March 17, 1965, the Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

2. The Government will contribute only to the allowable costs incurred prior to said effective date.

3. The Operator shall promptly perform all winding-up and settlement actions provided for in the Contract, including furnishing to the Government three copies of a final report (in addition to the final monthly report) which 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 related costs thereof.

4. All rights of the Government respecting certification of possible production, percentage royalty and liens to secure the payment thereof, reports (including preservation of the 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 in this termination agreement.

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

THE UNITED STATES OF AMERICA

By _____
Acting Director, Office of
Minerals Exploration

Long
App'd. for Off.
Selfridge
Fisher
Johnson

SAN SIMEON KEYSTONE, INC., ASSIGNEE

By _____

Title Vice Pres & Gen. Mgr

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

INTERIM REPORT OF REVIEW

I have reviewed the Monthly Reports of:

San Simeon Keystone, Inc.
770 Fifth Street
Morro Bay, California
Assignee of
Jack Selby and William J. Dawson

pertaining to Exploration Contract 14-23-090-2157, OME No. 6168, including Amendment No. 1, for January 1963 to April 1963, inclusive, covering a mercury project at the Keystone Mine, San Luis Obispo County, California.

My review included an examination of the Monthly Reports (MME Forms 60 and 61) and supporting documents, comparison of the claimed costs with the contract and pertinent schedules, confirmation of work performed by reference to reports and correspondence, and a determination of the reasonableness and propriety of the costs.

This review was made in lieu of an audit of the Operator's accounts and records for the reasons given in the attached schedule.

The findings of this review are stated in the following summary and the attached schedule:

Total cost billed by Operator		$4,636.97
Exceptions:		
Prior to this review	$ -0-	
Herewith	$103.45	103.45
Acceptable cost claimed by Operator		$4,533.52
Acceptable costs not claimed, to partially offset exceptions		58.42
Total acceptable cost		$4,591.94

The contract calls for a 50 percent contribution of the allowable costs by the Government. Therefore, if the project is otherwise accepted as having met the terms of the contract, payments as follows are valid and proper:

Payable on audited claim	$2,295.97
Paid to date	1,549.74
Balance due Operator	$ 746.23

E. D. Talbert, OME Auditor

July 16, 1963

Reasons for Report of Review in lieu of an audit:

(a) a major portion ($2,476.88) of the acceptable costs was under a contract provision for contribution by the Government on the basis of fixed unit costs for work performed;
(b) a large portion ($2,035.50) of the acceptable costs covered work performed at unit rates under independent contract;
(c) the Monthly Reports were supported by documentary evidence of the acceptable actual costs under the contract; and
(d) the administrative cost to the Government of an audit would be excessive in relation to the estimated amount of possible further exceptions.

Exceptions by this review:

(a)	Transportation of drill, as claimed by Operator, is not supported by documentary evidence; F. V. Clouser's January 9, 1963, invoice for $85.00 covers low-bed haul of D-8 dozer, not an authorized cost under the contract as amended	$ 85.00
(b)	Bulldozing dam, etc., claimed by Operator at invoiced cost of 45 hrs. @ $14.41, whereas contract as amended provides for a fixed unit cost of $14.00 an hour; difference	18.45
		$ 103.45

Acceptable costs not claimed:

(a)	Bulldozing road, etc., claimed by Operator partially at invoiced costs of 4 hrs. @ $14.41 and 12 hrs. @ $10.00 and partially at fixed unit costs of 22 hrs. @ $14.00, whereas contract as amended provides for a fixed unit cost of $14.00 an hour; difference	$ 46.36
(b)	Drain pipe claimed by Operator at $67.50, whereas Al Bafford's January 31, 1963, invoice is for $76.50 plus $3.06 sales tax; difference	12.06
		$ 58.42

Total acceptable cost:

Cat. (1) Drilling, non-core, 1357 ft. @ $1.50	$2,035.50*
Cat. (3) Drain pipe	79.56*

Total acceptable cost: (Cont'd.)

Fixed Unit Costs:

Bulldozing road, 38 hrs. @ $14.00	$ 532.00*
" dam, etc., 45 hrs. @ $14.00	630.00*
Spring, dam, and water system	175.00
Incidental allowance, 1357 ft. @ $.84	1,139.88
	$4,591.94

* Actual costs per invoices:

(a) R. B. Yager Drilling Contractor -
Drilling w/6" Hughes tri-cone bit 1357 ft. @ $1.50 ..... $2,035.50

(b) Al Bafford -
3 18" x 15' drains @ $1.70/ft. plus tax 79.56

(c) F. V. Clouser -
D-8 dozer, 49 hrs. @ $14.41
" " 12 hrs. @ 10.00 (no operator)
Low-bed haul, 5 hrs. @ 17.00 ..... 911.09

(d) Kenneth Winsor -
D-8 dozer, 18 hrs. @ $15.50
" " 4 hrs. @ 8.50 (no operator) 313.00

Government's Copy

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

AMENDMENT NO. 4

It is agreed this 18th day of September, 1964, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter referred to as the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter referred to as the "Operator," that Exploration Contract 2157 (OME-6168), dated April 19, 1962, as amended, is further amended effective as of the date of the contract as follows:

1. In Amendment No. 2:

In Item 5 the description of the drilling is deleted and replaced as follows:

> Surface holes shall be drilled by using NX non-coring bits. The underground holes shall be started BX core size (core diameter 1-5/8 inch) or larger. If drilling conditions necessitate, the core bit sizes may be reduced; however, all holes shall be completed not less than AX core size (core diameter 1-1/8-inch).

2. In Exhibit A of the contract and in Amendments Nos. 1 and 2, all reference to specifications and costs under Estimated Cost of the Project, Stage I, are deleted and replaced with the following:

Estimated Cost of the Project

Stage I

Actual Costs

Category (1) Independent Contracts

Surface drilling, 1,357 feet @ $1.50/ft.	$2,035.50
Underground drilling, 800 feet	5,400.00
NX core size @ $6.75/ft.	
BX core size @ $5.00/ft.	
AX core size @ $4.00/ft.	

Reaming and casing, or cementing and redrilling, 300 feet @ $3.50/ft.	$1,050.00	
Transportation of drill and equipment to and from job	150.00	
		$8,635.50

Category (3) Operating Materials And Supplies

None except:		
10 drains, 12" pipe, 15' long for access roads @ $1.50/ft.	$ 225.00	✓ 79.56 completed actual cost
200 cardboard core boxes @ $0.80/each	160.00	
		$ 385.00

Category (7) Miscellaneous

None except:		
Assaying 200 samples for mercury @ $4.00/sample	$ 800.00	
		$ 800.00
Total Actual Costs		$9,820.50

Fixed Unit Costs

Bulldozing to repair and maintain access roads, 50 hours @ $14.00/hr.	$ 700.00	
Bulldozing to clean benches and level drill sites, and to construct earth dam, 62 hours @ $14.00/hr.	868.00	
Clean spring, construct earth dam, install water system, job is unit of work, except bulldozing	175.00	✓

Incidental allowance in lieu of all costs whatsoever, except those listed above, $0.84/ft. for 2,157 feet	$1,812.00
Total Fixed Unit Costs	3,555.00
Total Estimated Cost Stage I	$13,375.50

3. In Article 1(b) of the contract, as amended by Amendment No. 2, the figures $45,388.50 and $22,694.25 are revised to read $45,340.00 and $22,670.00, respectively.

4. In Exhibit A under Estimated Cost of the Project, the S U M M A R Y shown in Amendment No. 2 is revised to read:

Total Estimated Cost Stage I (rounded)	$13,375.00
Total Estimated Cost Stage II	$31,965.00
Total Estimated Cost of Project	$45,340.00
Government Participation @ 50%	$22,670.00

This amendment reduces the estimated total cost of the project and the aggregate total amount which the Government may be required to contribute, and it shall not be construed to increase the amount of any item designated as a maximum or the fixed unit cost of any item of work.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By George Turnicht
Acting Director, Office of Minerals Exploration

Long for Selfridge Johnson
App'd/Sol. [redacted]

SAN SIMEON KEYSTONE, INC., ASSIGNEE

By H A Savage

Title Vice Pres and Gen Mgr

Government's Copy

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

AMENDMENT NO. 3

It is agreed this 9th day of June, 1964, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter called the "Operator," that Exploration Contract 2157 (OME-6168) dated April 19, 1962, as amended, is further amended, effective as of April 19, 1964, as follows:

1. The period fixed by Item 1 of Amendment No. 2 for completion of the work is changed from 24 months to 36 months from the date of the contract, or until April 19, 1965.

2. The maximum period for royalty payments and for the lien to secure the payments thereof provided for in Item 2 of Amendment No. 2 is extended from eleven (11) years to twelve (12) years from the date of the contract.

This amendment shall not be construed to increase the amount of any item designated as maximum, the fixed unit cost of any item of work, the estimated total cost of the project, or the aggregate total amount which the Government may be required to contribute.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By George Turnichal
Acting Director, Office of Minerals Exploration

Long
Mgr'd. Sol. Off.

SAN SIMEON KEYSTONE, INC., ASSIGNEE

By H A Savage

Title Pres & Gen Mgr

Jack W Selby

Mineral
Talbutt
Selfridge
Johnson

Government's Copy

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

AMENDMENT NO. 2

It is agreed this 22nd day of August, 1963, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter called the "Operator," that Exploration Contract No. 2157, as amended, is further amended, effective as of April 19, 1962, as follows:

1. The period fixed by Article 1 of the contract for completion of the work is changed from 12 to 24 months from the date of the contract, or until April 19, 1964.

2. The maximum period for royalty payments and for the lien to secure the payments thereof provided for in Article 7(b) of the contract is extended from ten (10) years to eleven (11) years.

3. Under Article 1 of the contract, as amended by Amendment No. 1, Item 1, the total estimated cost of the work is changed from $51,712.00 to $45,388.50, and the contribution by the Government is changed from a maximum of $25,856.00 to $22,694.25.

4. In Exhibit A, the first sentence is deleted and the following is substituted:

> "The purpose of the project is to explore for ores of mercury occurring as cinnabar disseminated in a sandstone lens by means of drilling from the surface and from underground and by crosscutting and drifting in the Keystone mine property."

5. In Exhibit A, under the heading "General Conditions", the first sentence, as set forth in Amendment No. 1, is deleted and the following is substituted:

> "Surface holes shall be drilled by using NX non-coring bits and underground holes by using BX coring bits (1-5/8-inch core diameter)."

6. In Exhibit A under the heading "Description of the Work," Stage I, the second paragraph is deleted and the following is substituted:

"1,357 feet of surface drilling shall be performed, at the approximate locations indicated in red color on Figure 2, titled "Grid for Exploration," attached hereto and made a part hereof. Also, not to exceed 800 feet of underground drilling shall be done, with hole locations, depths, directions, and inclinations to be approved in advance by the Government. The Government will contribute to the cost of assaying not to exceed 200 samples under Stage I."

7. In Exhibit A under the heading Estimated Cost of the Project, as amended by Amendment No. 1, Category (1) is deleted and the following is substituted:

"Stage I

Actual Costs

Category (1) Independent Contracts

Surface Drilling, 1,357 feet @ $1.50/ft.	$2,035.50
Underground Drilling, 800 feet @ $6.75/ft.	5,400.00
Reaming and casing, or cementing and redrilling, 300 feet @ $3.50/ft.	1,050.00
	$8,485.50"

The sums of $15,904.00 and $19,747.00 shown in Amendment No. 1 as the Total Actual Costs and Total Stage I are changed to $9,580.50 and $13,423.50, respectively.

8. The Cost Summary shown in Amendment No. 1 is deleted and the following is substituted:

"Total Estimated Cost of Stage I	$13,423.50
Total Estimated Cost of Stage II	31,965.00
Total Estimated Cost of Project	$45,388.50
Government Participation	$22,694.25"

This amendment shall not be construed to increase the amount of any item designated as maximum, the fixed unit cost of any item of work, the estimated total cost of the project, or the aggregate total amount which the Government may be required to contribute.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By George Turnick
Director, Office of Minerals Exploration

Long
App'd. Sol. Off.
Leonard
Talbert
Johnson

SAN SIMEON KEYSTONE, INC., ASSIGNEE

By Jack W. Selby

Title President

Government's Copy

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

AMENDMENT NO. 1

It is agreed this 7th day of June, 1963, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter called the "Operator," that Exploration Contract No. 2157 is amended, effective as of the contract date of April 19, 1962, as follows:

1. Under Article 1 of the contract, the total estimated cost of the work is changed from $52,730.00 to $51,712.00, and the contribution by the Government is changed from a maximum of $26,365.00 to $25,856.00.

2. In Exhibit A, under the heading General Conditions, the first sentence is deleted and the following is substituted:

"Holes shall be drilled using NX or larger size coring bits, except that non-coring bits may be used when drilling above the ore zone and in other situations approved by the Government, and BX size bits may be used where necessary to complete a hole."

3. In Exhibit A, under the heading Description of the Work, Stage I, the first paragraph is deleted and the following is substituted:

"The presently existing access road shall be repaired and maintained, including bulldozing and installation of drains, (using a bulldozer of not less than TD 19 or equivalent size of another make); benches shall be cleaned and sites leveled for drilling; a spring shall be cleaned and an earth dam constructed for the purpose of furnishing water for drilling. The Government will contribute to bulldozing costs of not to exceed fifty (50) hours to repair and maintain the access road and not to exceed 62 hours to clean benches, level drill sites, and construct an earth dam."

4. In Exhibit A under the heading Estimated Cost of the Project, all of the Stage I costs are deleted and the following is substituted:

"Stage I

Actual Costs

Category (1) Independent Contracts

Drilling, size NX or larger, 1,000 feet non-coring @ $3.00/ft.	$3,000.00	
1,358 feet coring, above 300-ft. depth, NX or larger size, @ $7.00/ft.	9,506.00	
Coring, size BX, @ $6.00/ft.		
142 feet coring, NX or larger size, @ $9.00/ft., below 300-ft. depth	1,278.00	
Coring, size BX, @ $8.00/ft.		
Reaming and casing, or cement and redrilling, 250 feet @ $3.50/ft.	875.00	
Transportation of drill and equipment to and from job	150.00	$14,809.00

2500

8,485.50 Am 82

Category (3), Operating Materials and Supplies

None except:		
6 drains, 12" pipe, 15' long for access road, @ $1.50/ft.	135.00	
40 wooden core boxes, @ $4.00/each	160.00	$295.00

Category (7) Miscellaneous

None except:	
Assaying 200 samples for mercury @ $4.00/each	$ 800.00
Total Actual Costs	$15,904.00

9,583.58 Am.

Fixed Unit Costs

Bulldozing to repair and maintain access road, 50 hours @ $14.00	$ 700.00	
Bulldozing to clean benches and level drill sites, and to construct earth dam, 62 hours @ $14.00	868.00	
Clean spring, construct earth dam, install water system, job, except bulldozing	175.00	
Incidental allowance in lieu of all costs whatsoever, except those listed above, $0.84/ft. for ~~2,500~~ 2,157 feet of drilling	1812.00 2,100.00	
Total Fixed Unit Costs		3 556.00 $ 3,843.00
Total Stage I (see amendment No. 2 $12 463.50)		~~$19,747.00~~ 13,423.50 Am 12

5. The Cost Summary on page 5 of Exhibit A is deleted and the following is substituted:

Total Estimated Cost of Stage I	13,423.50 Am 12 $19,747.00
Total Estimated Cost of Stage II	31,965.00
Total Estimated Cost of Project	45,388.50 Am 12 $51,712.00
Government Participation	$25,856.00 22,694.25 Am 12

6. This amendment shall not be construed to increase the amount of any item designated as maximum, the fixed unit cost of any item of work, the estimated total cost of the project, or the aggregate total amount which the Government may be required to contribute.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By George Turnick
Director, Office of Minerals Exploration

Long
Asst. Sol. Off.
Brownold
Talbot
Selfridge
Johnson

SAN SIMEON KEYSTONE, INC., ASSIGNEE

By Jack W. Selby

Title President

Government's Copy

EXPLORATION CONTRACT
JACK SELBY AND WILLIAM J. DAWSON
OME-6168

ASSIGNMENT OF CONTRACT

WHEREAS, Jack Selby and William J. Dawson, a partnership, hereinafter called the "Assignor," and the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," entered into Exploration Contract No. 2157 (Docket OME-6168), dated April 19, 1962, hereinafter called the "Contract," and

WHEREAS, San Simeon Keystone, Inc., a California corporation whose address is 770 Fifth Street, Morro Bay, California, hereinafter called the "Assignee," pursuant to Mining Agreement, dated 6/1/1957, amended by Supplement 7/24/1957, (assigned to corporation) has acquired an interest in the land which is the subject of the Contract and the Assignee desires to perform the work under the Contract;

NOW, THEREFORE, effective December 17, 1962, the Assignor, subject to acceptance by the Assignee and consent of the Government, in consideration of the sum of One Dollar ($1.00) and other good and valuable consideration received from the Assignee, does hereby assign, transfer, and convey to the Assignee all of its right, title and interest in the Contract, including such sums which might be paid by the Government as its share of the costs for work performed under the terms of the Contract.

The Assignor consents to all future amendments (including a termination agreement) and assignments of the Contract, and waives notice thereof.

Dated this 8th day of February, 1963.

Jack Selby
JACK SELBY

William J. Dawson
WILLIAM J. DAWSON

ASSIGNEE'S ACCEPTANCE

The Assignee hereby accepts the foregoing assignment and agrees to be bound by the terms, provisions and conditions of the Contract. The Assignee expressly assumes and agrees to pay to the Government any royalty that may accrue under the provisions of the Contract.

Dated this eighth day of February, 1963.

SAN SIMEON KEYSTONE, INC.

By Jack Selby

Title President

I, CHARLES E. OGLE certify that I am the duly elected and acting secretary of the corporation named herein; that JACK SELBY who signed this instrument on behalf of the corporation was then president of said corporation by authority of its governing body, and is within the scope of its corporate powers.

Dated: February 8, 1963.

Secretary of San Simeon Keystone, Inc.

GOVERNMENT'S CONSENT

The Government, this 5th day of March, 1963, hereby consents to the above assignment without releasing the Assignor from any of the terms, provisions and conditions of the Contract, or any amendment (including a termination agreement) or assignment thereof.

THE UNITED STATES OF AMERICA

By George Turnick

Director, Office of Minerals Exploration

Talbert

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

PERFORMANCE BOND

(See Instructions on Reverse)

DATE BOND EXECUTED
2/8/1963

PRINCIPAL
SAN SIMEON KEYSTONE, INC.

SURETY CHARLES E. OGLE, 770 Fifth Street, Morro Bay, California.
OLIVER EDWIN "TED" LUCAS, P. O. Box 1073, Morro Bay, California.

PENAL SUM OF BOND (*express in words and figures*)	CONTRACT NO.	DATE OF CONTRACT
Twenty-Six Thousand, Three Hundred & Sixty-Five Dollars ($26,365.00)	O.M.E.6168	April 19, 1962

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]

Affidavits of Individual Surety completed and executed by the undersigned sureties in connection with Performance Bond executed by said sureties October 15, 1962, with Jack Selby and William Dawson as "principal", are incorporated herein and made a part hereof the same as if again executed; such figures supplied therein being substantially unchanged from that date to this.

WITNESS	INDIVIDUAL SURETY
1. Frances L. Prosser	as to Charles E. Ogle [SEAL]
2. Frances L. Prosser	as to Oliver Edwin "Ted" Lucas [SEAL]

Attest:

Charles E. Ogle, Secretary

CORPORATE PRINCIPAL
SAN SIMEON KEYSTONE, INC.

BUSINESS ADDRESS
770 5th Street, Morro Bay, Cal.

BY Jack Selby

TITLE President

AFFIX CORPORATE SEAL

Attest:

CORPORATE SURETY

BUSINESS ADDRESS

BY

TITLE

AFFIX CORPORATE SEAL

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

Total amount of premium charged, $.....

(The above must be filled in by corporate surety)

CERTIFICATE AS TO CORPORATE PRINCIPAL

I, ...CHARLES E. OGLE....., certify that I am the .elected & acting.. secretary of the corporation named as principal in the within bond; that .....JACK SELBY....., 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.

.....Charles E. OgleSecretary [CORPORATE SEAL]

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 : 1955—O—337010

FOR VALUE RECEIVED, JACK SELBY and WILLIAM J. DAWSON hereby assign, transfer, and set over to SAN SIMEON KEYSTONE, INC., a California corporation, all their right, title and interest in and to a certain "Mining Agreement" dated June 1, 1957, by and between PHELAN LAND & CATTLE COMPANY, A California corporation, and said SELBY and DAWSON (and others), as amended in a document entitled "Supplement To Mining Agreement" dated July 24, 1957, between the aforesaid parties.

SAN SIMEON KEYSTONE, INC. hereby assumes the performance of all the covenants and conditions of said agreement, and also assumes all liability thereunder including payment of royalty as therein set out. Notwithstanding such agreement and obligation by said corporation, JACK SELBY and WILLIAM J. DAWSON agree to remain personally liable for all the covenants, terms and conditions of said agreement.

Dated:
December 17, 1962

s/ Jack Selby
Jack Selby

S/ William J. Dawson
William J. Dawson

SAN SIMEON KEYSTONE, INC.

By: s/ Jack Selby
President

ATTEST
A TRUE COPY

Charles E. Ogle, Secretary
of San Simeon Keystone, Inc.

Consent to the above assignment is hereby given.

PHELAN LAND & CATTLE COMPANY

By: _____
President

Government's Copy

MME Form 50
Feb. 1959

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

EXPLORATION CONTRACT
(Long Form)

Docket No.	Commodity	Contract No.	County	State
OME -6168	Mercury	14-23-090- 2157	San Luis Obispo	California

It is agreed APR 19 1962 (Date), between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and

Jack Selby and William J. Dawson, a partnership

whose mailing address is P. O. Box 993, Morro Bay, California, hereinafter called the "Operator," as follows:

ARTICLE 1. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator shall begin the work on or before January 1, 1963 (Date), and, subject to the provisions of Article 9 and Exhibit A, shall either have completed the work within 12 months from the date of the contract or shall have incurred allowable costs (see Article 6) in a sum not less than the total cost set forth in Exhibit A.

(b) The total allowable cost of the work set forth in Exhibit A is $ 52,730.00. The Government will contribute 50 percent of the allowable costs as they are incurred, in a total sum not in excess of $26,365.00 in accordance with the provisions of Articles 3, 4, 5, and 6. "Costs incurred" means costs that have been paid or have become due and payable, or that the Government determines have become obligations.

(c) Interest computation.--Simple interest computed annually at the rate of 6 percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) 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 rights in land.--(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 right 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:

Interest of Lessors

(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 lien agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows:

A Performance Bond is attached in lieu of a Lien or Subordination Agreement of the owner.

(c) The Operator shall preserve and maintain his right, title, or 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 royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 7 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, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws 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) Independent contracts.--To the extent that the allowable costs are estimated in Exhibit A with express reference to performance by independent contractors on a unit-price basis (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations), the work may be so performed (see Article 6(a), Category (1)). Any such independent contract shall refer to some specific and identifiable part of the work, and shall be subject to all of the pertinent terms and conditions of this exploration contract; but the Government shall not be considered a party thereto, and its rights under this contract, including the right to terminate its contributions, shall not be affected thereby. Regardless of the provisions of any such independent contract, the Government will participate in payments to the independent contractor only as to work performed in accordance with the provisions of this exploration contract, and only to the extent that the Government deems the unit prices for the work under the independent contract to be reasonable.

(c) 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 production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--(a) 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. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. 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 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. If work under this contract is carried on in conjunction with any other operations, or if labor, supervision, services, materials, supplies, equipment, facilities, or other requirements for carrying on the work are also used in connection with other operations, the costs shall be segregated and accounted for on a basis and by methods and accounts that are satisfactory to and approved by the Government.

(b) Monthly reports.--The Operator shall provide the Government with five copies of monthly reports in three sections as follows:

(1) Operator's Monthly Voucher claiming costs for work performed;

(2) Operator's Progress Report showing the number of units of the various types of work performed; 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 monthly report). 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 related costs.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's 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 the Government determines that 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 preparation or completion of the same 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. Costs.--(a) Allowable costs.--The allowable costs of the work to which the Government will contribute are limited to:

(1) the necessary, reasonable, and direct actual costs that are estimated in Exhibit A by categories as specified in this article; and

(2) fixed costs for units of work to be performed (per foot, per hour, etc.) agreed upon in lieu of actual costs and set forth in Exhibit A.

The Government will not contribute to costs under any category or subcategory omitted from the estimate of costs in Exhibit A. Any excess over any estimate which is indicated as the maximum of any category, subcategory, or item, either as to requirement or related cost; any excess over a fixed unit cost; and any excess over the total allowable cost of the work are not allowable. The Operator shall incur such excesses for his own account without contribution by the Government, but the Operator is not obligated to incur more than his agreed percentage of the total allowable cost of the work.

Any category or subcategory or element thereof not designated as a maximum in this article or in Exhibit A may be exceeded, provided that the total allowable cost of the work, which is a maximum, is not exceeded.

CATEGORY (1)--INDEPENDENT CONTRACTS.--(See Article 3(b)). The total of this category and the average unit cost estimated for each type of work to be performed under an independent contract are maximums.

CATEGORY (2)--PERSONAL SERVICES.

Subcategory (a)--Supervision and Technical Services--All elements of this subcategory (number of supervisors, technicians, outside consultants, periods of employment, rates of pay, and total) are maximums.

Subcategory (b)--Labor.

CATEGORY (3)--OPERATING MATERIALS AND SUPPLIES.--Includes such items as drill bits and steel, explosives, fuel, pipe, power, timber, rail, and small tools costing less than $50 each.

CATEGORY (4)--OPERATING EQUIPMENT.

Subcategory (a)--Rental.--The number of each rented item [6 mine cars, 1 truck], the rate of rental [$100 per month, $5 per hour], and the total of this subcategory are maximums.

Subcategory (b)--Purchases.--The total of this subcategory is a maximum.

Subcategory (c)--Depreciation.--All elements of this subcategory (time periods, rate of depreciation, and subcategory total) are maximums.

CATEGORY (5)--INITIAL REHABILITATION AND REPAIRS.--Costs of items listed under this category include all requirements, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The total of this category is a maximum.

Subcategory (a)--Initial rehabilitation and repairs of existing buildings, fixtures, and installations (exclusive of mine workings).--The total of this subcategory is a maximum.

Subcategory (b)--Initial rehabilitation and repairs of operating equipment.--The total of this subcategory is a maximum.

CATEGORY (6)--NEW BUILDINGS, FIXTURES, AND INSTALLATIONS (EXCLUSIVE OF MINE WORKINGS).--Costs of items listed under this category include all requirements, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The total of this category is a maximum.

CATEGORY (7)--MISCELLANEOUS.--Includes requirements and costs that do not fall within any of the first six categories, such as repairs other than initial and maintenance of operating equipment, analytical work, prints and other reproductions, accounting, Operator's share of payroll taxes, liability insurance covering employment, travel, and communications.

(b) Nonallowable costs.--The Government will not contribute to the following costs:

(1) Costs of the land, such as rental, depreciation, depletion, or other costs of acquiring, owning, or holding possession;

(2) Indirect costs, such as general overhead, corporate management, interest, taxes (other than payroll and sales taxes), insurance (other than liability insurance covering employment), damages to persons, damages to property (other than necessary repairs or replacements of equipment or other property used in the work);

(3) Previous work performed or costs incurred before the date of this contract; and

(4) Deferred payments.--Any costs incurred by the Operator under any rental-purchase agreement, installment-purchase agreement, or any agreement for the purchase of goods under the provisions of which payment of the full purchase price is deferred more than 90 days from the delivery of the goods, unless the purchase agreement is approved by the Government in writing.

(c) Reductions in costs.--The Operator shall account for and give the Government credit for any incidental benefits, credits, or money received in the ordinary course of business in prosecuting the work (as by salvage or sale of materials or equipment, furnishing of room or board, furnishing of power or services to third persons, rebates or discounts on purchases, etc.), in the same ratio in which the Government contributes to costs; and such amounts shall be treated as a reduction in costs incurred so that they are available for use within the limit of the original total cost. This provision does not apply to receipts from production which are subject to the Government's royalty under the provisions of Article 7.

ARTICLE 7. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract, or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first.

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the [redacted] gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the [redacted] sold, in the form sold (ore, concentrate, metal, or equivalent), at the point of delivery (the [redacted] 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 (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable 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. No costs of the Operator are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" 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.

(2) 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.

(d) Unsold production.--If any production (ore, concentrate, 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, concentrate, 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) Lien for payment.--To secure the payment of royalty (see Article 7(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) 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 Government, and this estimate shall be final and binding upon the Operator.

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

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

ARTICLE 8. Interests in purchased property.--(a) Title and ownership.--All costs under this contract shall be incurred by the Operator in the Operator's own name and for the Operator's own account; but any property acquired to the cost of which the Government contributes shall belong to the Operator and the Government jointly in proportion to their respective contributions although title thereto shall be taken in the name of the Operator.

(b) Preservation of property.--Until the final disposal of any property in which the Government has an interest, the Operator shall preserve and protect same for the best interest of the Government, and any reasonable and necessary cost thereof will be treated as an allowable cost of the exploration. After the completion of the work, termination of the Government's obligation to contribute, or when such property is not being used for the work, the Operator shall not use it elsewhere without the written consent of the Government and without paying a reasonable rental to be fixed by the Government for its proportionate interest.

(c) Disposal of property.--Upon the completion of the work, termination of the Government's obligation to contribute to costs, or when the property is no longer needed for the work, the Operator shall promptly dispose of salable or salvageable property in which the Government has an interest for the joint account of the Government and the Operator, either by return to the vendor, sale to others, purchase by the Operator, or sale or transfer to the Government at a price at least as high as could be obtained from others, unless the Government in writing waives its interest in any such property. Without advance approval of the sales price by the Government, the Operator shall not sell at any price any item of property that cost more than $500, and shall not sell at less than 25 percent of the purchase price any item of property that cost $500 or less. The Government, in lieu of approving the sales price for any such item, may itself purchase the item at the best price which the Operator is able to obtain or offers. Property remaining upon any termination of the work shall be considered in groups or categories (such as drill steel, explosives, pipe, or rail), and if the original cost of the remaining unexpended portion of any such group or category is less than $50, the Government waives its interest therein. If necessary to accomplish the disposal of any item, the Operator shall dismantle and sever it from the land, the cost thereof to be treated as a cost of the exploration.

(d) Default of the Operator re disposal.--If within 90 days after the completion of the work, termination of the Government's obligation to contribute to costs, or after the property is no longer needed for the work, the Operator has failed to sell or otherwise liquidate or dispose of any property in which the Government has an interest, the Government, at any time prior to final settlement under the contract, may:

(1) in writing extend the time within which the Operator must dispose of or liquidate the property;

(2) by written notice to the Operator, place upon such property what it determines to be a fair valuation thereof, not in excess of the cost less 1.66 percent per month from the date such property was purchased under this contract to the termination of said 90-day period; and such property shall thereupon be considered and accounted for as having been purchased by the Operator at the valuation so fixed by the Government; and

(3) enter and take possession of such property wherever it may be found, and remove and dispose of it for the joint account of the parties.

ARTICLE 9. Termination of the Government's obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to contribute to costs not then incurred other than such as may be allowable under the provisions of the contract as necessary and incidental to final accounting and reporting; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is 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:

(1) the Government shall be relieved of all obligation to contribute to costs not incurred when the notice was given, other than such as may be allowable by the provisions of the contract as necessary and incidental to final accounting and reporting; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

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 9 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 13.

ARTICLE 10. Notices to be given by the Government may be delivered to the Operator, or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 11. 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.

See Article 16

ARTICLE 12. Nondiscrimination.--In connection with the performance of work under this contract, the Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Government setting forth the provisions of the nondiscrimination clause.

The Operator further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

ARTICLE 13. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, Office of Minerals Exploration, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, Office of Minerals Exploration, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, Office of Minerals Exploration, a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, Office of Minerals Exploration," as used herein includes his duly authorized representative.

ARTICLE 14. Eight-Hour Law of 1912--Overtime compensation.--This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912, as amended (40 U. S. Code 324—326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35—45), is subject to the following provisions and exceptions of said Eight-Hour Law of 1912, as amended, and to all other provisions and exceptions of said Law:

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Operator or any independent contractor contracting for any part of said work contemplated, shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every laborer and mechanic employed by the Operator or any independent contractor engaged in the performance of this contract shall be computed on a basic day rate of eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed for each laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause, and all penalties thus imposed shall be withheld for the use and benefit of the Government.

ARTICLE 15. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 16. Changes and added provisions.-- **The provisions governing performance of work under Government contracts, as set out in Section 301 of Executive Order 10925, dated March 6, 1961 (a copy of which is attached hereto as Exhibit B and by reference hereby incorporated and made a part of this contract), shall be applicable to this contract, and shall be included in all contracts executed by the Operator for the performance of work contemplated by this contract, and for that purpose the term "contract" shall be deemed to refer to this instrument and to contracts awarded by the Operator and the term "contractor" shall be deemed to refer to the Operator and to contractors awarded contracts by the Operator.**

Executed in quintuplicate the day and year first above written.

Selby 4/11/62
Brown
App'd. Sol. Off.
Holt
Fournel
Talbot
Jeffrey
Johnson

By: Jack Selby)
Jack Selby (Operator))
By William J. Dawson **Partners**
William J. Dawson -)

~~Title~~

THE UNITED STATES OF AMERICA

By George Turnick
Director, Office of Minerals Exploration

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

[CORPORATE SEAL]

INT.-DUP. SEC., WASH., D.C. 52376

EXPLORATION CONTRACT
JACK SELBY AND WILLIAM J. DAWSON
OME-6168

ANNEX I

The land, with all rights pertaining thereto, referred to in Article 2 of the contract and shown outlined in blue color on Figure 1, titled "Topographic Map Showing Property Lines, Access Roads, & Proposed Road as Indicated, also Place of Custom Milling," attached hereto and made a part hereof, comprises deeded agricultural land with mineral rights, as follows:

> The $S\frac{1}{2}$ $NE\frac{1}{4}$, $SE\frac{1}{4}$ $NW\frac{1}{4}$, and $W\frac{1}{2}$ $SE\frac{1}{4}$, sec. 23, T. 26 S., R. 8 E., Mount Diablo Base and Meridian, San Luis Obispo County, California, total area 200 acres more or less, and commonly known as the "Keystone Field."

The Operator controls the land under the terms of a Mining Agreement, dated June 1, 1957, as amended by a Supplement to Mining Agreement, dated July 24, 1957, from the owner, Phelan Land & Cattle Company, a California corporation, the address of which is P. O. Box 317, Cambria, California.

A Performance Bond is attached hereto and made a part hereof, in lieu of Lien or Subordination Agreement of the owner of the property.

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

PERFORMANCE BOND

(*See Instructions on Reverse*)

DATE BOND EXECUTED: 10/15/62

PRINCIPAL

JACK SELBY AND WILLIAM DAWSON

SURETY

CHARLES E. OGLE, 770 Fifth Street, Morro Bay, California
OLIVER EDWIN LUCAS, aka OLIVER EDWIN TED LUCAS
Post Office Box 1073, Morro Bay, California

PENAL SUM OF BOND (*express in words and figures*)	CONTRACT NO.	DATE OF CONTRACT
$26,365.00 SIXTY-FIVE DOLLARS TWENTY-SIX THOUSAND, THREE HUNDRED &/	O.M.E.6168	APRIL 19, 1962

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. Frances L. Prosser	as to	Jack Selby	[SEAL]
2. Frances L. Prosser	as to	William Dawson	[SEAL]
3.	as to		[SEAL]
4.	as to		[SEAL]

WITNESS		INDIVIDUAL SURETY	
1. Frances L. Prosser	as to	Charles E. Ogle	[SEAL]
2. Frances L. Prosser	as to	Oliver Edwin Ted Lucas	[SEAL]

Attest:	CORPORATE PRINCIPAL	
	BUSINESS ADDRESS	
	BY	AFFIX CORPORATE SEAL
	TITLE	
Attest:	CORPORATE SURETY	
	BUSINESS ADDRESS	
	BY	AFFIX CORPORATE SEAL
	TITLE	

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

Total amount of premium charged, $.....

(The above must be filled in by corporate surety)

CERTIFICATE AS TO CORPORATE PRINCIPAL

I, ..., certify that I am the ..... secretary of the corporation named as principal in the within bond; that .....,

who signed the said bond on behalf of the principal, was then ..... 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.

..... [CORPORATE SEAL]

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

STANDARD FORM 28
NOVEMBER 1950
PRESCRIBED BY GENERAL
SERVICES ADMINISTRATION
GENERAL REGULATION NO. 5

AFFIDAVIT OF INDIVIDUAL SURETY

(See Instructions on Reverse)

STATE OF
California
COUNTY OF
San Luis Obispo
} SS:

I, the person whose signature appears below as surety, being duly sworn, depose and say that I am one of the sureties to the attached bond; that I am a citizen of the United States, and of full age and legally competent; that I am not a partner in the business of the principal on the bond or bonds on which I appear or may appear as surety; that the information herein below furnished is true and correct. This affidavit is made to induce the United States of America to accept me as surety on the attached bond.

MY NAME *(first, middle, last)*
Oliver Edwin (Ted) Lucas

MY ADDRESS *(street and number, city and State)*
P. O. Box 1073
Morro Bay, California

TYPE AND DURATION OF MY OCCUPATION
contractor
6 months

NAME OF MY EMPLOYER
Johnson, Drake and Piper

MY BUSINESS ADDRESS *(street and number, city and State)*
% P. G. and E. Plant
Johnson, Drake and Piper
Morro Bay, California

AMOUNT I AM WORTH IN REAL ESTATE AND PERSONAL PROPERTY OVER AND ABOVE (1) ALL MY DEBTS AND LIABILITIES OWING AND INCURRED, (2) ANY PROPERTY EXEMPT FROM EXECUTION, (3) ANY PECUNIARY INTEREST I HAVE IN THE BUSINESS OF THE PRINCIPAL ON SAID BOND, AND (4) ANY INTEREST I HAVE IN ANY SO-CALLED COMMUNITY PROPERTY
$49,700.00

LOCATION AND DESCRIPTION OF REAL ESTATE OF WHICH I AM SOLE OWNER IN FEE SIMPLE *(not exempt from seizure and sale under any homestead law, community or marriage law, or upon attachment, execution, or judicial process)*
Lot 24, 25 and 26 and 3/4ths of Lot 19 Block 1, Harbor Front Tract

FAIR VALUE OF SUCH REAL ESTATE
$24,000.00

ASSESSED VALUE OF SUCH REAL ESTATE FOR TAXATION PURPOSES
$2800.00

ALL MORTGAGES OR OTHER ENCUMBRANCES AGAINST ABOVE REAL ESTATE, THERE BEING NO OTHERS *(if none, so state)*
$1,800.00

MY LIABILITIES OWING AND INCURRED DO NOT EXCEED THE AMOUNT OF
$1,800.00

AMOUNT I AM WORTH, OVER AND ABOVE JUST DEBTS AND LIABILITIES, IN PERSONAL PROPERTY SUBJECT TO EXECUTION AND SALE, THIS AMOUNT BEING ADDITIONAL TO THE REAL ESTATE ABOVE DESCRIBED
$27,500.00

THE ABOVE PERSONAL PROPERTY CONSISTS OF THE FOLLOWING
23 shares Production Credit, Visalia, California
Planing mill equipment.
car and pickup
furniture

ALL OTHER BONDS ON WHICH I AM SURETY *(state character and amount of each bond; if none, so state)*
none

MY SIGNATURE AS SURETY
Oliver Edwin Ted Lucas

Subscribed and sworn to before me this date at October 9, 1962 at Morro Bay, California

OFFICIAL SEAL

Gwen McGuire
Gwen McGuire *(Signature)*

Notary Public *(Title of official administering oath)*

10-9-62 *(Date)*

STANDARD FORM 28
NOVEMBER 1950 EDITION

16—63324-1

CERTIFICATE OF SUFFICIENCY

I HEREBY CERTIFY, That the surety named herein is personally known to me; that, in my judgment, said surety is responsible, and qualified to act as such; and that, to the best of my knowledge and belief, the facts stated by said surety in the foregoing affidavit are true.

NAME (*typewritten*)	SIGNATURE
N. Martignoni	N. Martignoni
OFFICIAL TITLE	
Assistant Cashier	
ADDRESS	
Bank of America P.O. Box 728 Morro Bay, California	

INSTRUCTIONS

1. This form shall be used whenever sureties on bonds to be executed in connection with Government contracts are individual sureties. There shall be no deviation from this form except as authorized by the General Services Administration.

2. A firm, as such, will not be accepted as a surety, nor a partner for copartners or for a firm of which he is a member. Stockholders of a corporate principal may be accepted as sureties provided their qualifications as such are independent of their stock holdings therein. Sureties, if individuals, shall be citizens of the United States, except that sureties on bonds executed in any foreign country, the Canal Zone, Puerto Rico, Hawaii, Alaska, Guam, or any possession of the United States, for the performance of contracts entered into in these places, need not be citizens of the United States, but if not citizens of the United States shall be domiciled in the place where the contract is to be performed.

3. The individual surety shall justify, under oath, in a sum not less than the penalty of the bond, according to the form appearing on the face hereof, before a United States commissioner, a clerk of a United States court, a notary public, or some other officer having authority to administer oaths generally. If the officer has an official seal, it shall be affixed, otherwise the proper certificate as to his official character shall be furnished. Where citizenship is not required, as provided in paragraph 2 of these instructions, the affidavit may be amended accordingly.

4. The certificate of sufficiency shall be signed by an officer of a bank or trust company, a judge or clerk of a court of record, a United States district attorney or commissioner, a postmaster, a collector or deputy collector of internal revenue, or any other officer of the United States acceptable to the department or establishment concerned. Further certificates as to the financial qualification of the sureties may be required from time to time. Such certificates must be based on the personal investigation of the certifying officers at the time of the making thereof, and not upon prior certificates.

U. S. GOVERNMENT PRINTING OFFICE 16—63324-1

STANDARD FORM 28
NOVEMBER 1950
PRESCRIBED BY GENERAL
SERVICES ADMINISTRATION
GENERAL REGULATION NO. 5

AFFIDAVIT OF INDIVIDUAL SURETY

(See Instructions on Reverse)

STATE OF
CALIFORNIA
COUNTY OF
SAN LUIS OBISPO
} SS:

I, the person whose signature appears below as surety, being duly sworn, depose and say that I am one of the sureties to the attached bond; that I am a citizen of the United States, and of full age and legally competent; that I am not a partner in the business of the principal on the bond or bonds on which I appear or may appear as surety; that the information herein below furnished is true and correct. This affidavit is made to induce the United States of America to accept me as surety on the attached bond.

MY NAME *(first, middle, last)*	MY ADDRESS *(street and number, city and State)*
CHARLES EDWARD OGLE	770 Fifth Street, Morro Bay, Cal.
TYPE AND DURATION OF MY OCCUPATION	**NAME OF MY EMPLOYER**
Attorney At Law - Since June 1952	Self-employed
MY BUSINESS ADDRESS *(street and number, city and State)*	**AMOUNT I AM WORTH IN REAL ESTATE AND PERSONAL PROPERTY OVER AND ABOVE (1) ALL MY DEBTS AND LIABILITIES OWING AND INCURRED, (2) ANY PROPERTY EXEMPT FROM EXECUTION, (3) ANY PECUNIARY INTEREST I HAVE IN THE BUSINESS OF THE PRINCIPAL ON SAID BOND, AND (4) ANY INTEREST I HAVE IN ANY SO-CALLED COMMUNITY PROPERTY**
770 Fifth Street Morro Bay, California	$547,000

LOCATION AND DESCRIPTION OF REAL ESTATE OF WHICH I AM SOLE OWNER IN FEE SIMPLE *(not exempt from seizure and sale under any homestead law, community or marriage law, or upon attachment, execution, or judicial process)*

See Exhibit A attached hereto and made a part hereof.

FAIR VALUE OF SUCH REAL ESTATE	ASSESSED VALUE OF SUCH REAL ESTATE FOR TAXATION PURPOSES
$150,000.00	$12,360.00

ALL MORTGAGES OR OTHER ENCUMBRANCES AGAINST ABOVE REAL ESTATE, THERE BEING NO OTHERS *(if none, so state)*

Encumbrance on Parcel 2 described in Exhibit A = $ 2,396.
Encumbrance on Parcel 5 described in Exhibit A = $15,000.

MY LIABILITIES OWING AND INCURRED DO NOT EXCEED THE AMOUNT OF	AMOUNT I AM WORTH, OVER AND ABOVE JUST DEBTS AND LIABILITIES, IN PERSONAL PROPERTY SUBJECT TO EXECUTION AND SALE, THIS AMOUNT BEING ADDITIONAL TO THE REAL ESTATE ABOVE DESCRIBED
$18,000.	$379,000.00

THE ABOVE PERSONAL PROPERTY CONSISTS OF THE FOLLOWING

See Exhibit A attached hereto and made a part hereof.

ALL OTHER BONDS ON WHICH I AM SURETY *(state character and amount of each bond; if none, so state)*

None

MY SIGNATURE AS SURETY

Charles E Ogle

Subscribed and sworn to before me this date at Morro Bay, California

OFFICIAL SEAL

Frances L. Prosser — *(Signature)*
Notary Public — *(Title of official administering oath)*
10/15/1962 — *(Date)*

STANDARD FORM 28
NOVEMBER 1950 EDITION

FRANCES L. PROSSER
My Commission Expires Jan. 8, 1966

16—63324-1

CERTIFICATE OF SUFFICIENCY

I HEREBY CERTIFY, That the surety named herein is personally known to me; that, in my judgment, said surety is responsible, and qualified to act as such; and that, to the best of my knowledge and belief, the facts stated by said surety in the foregoing affidavit are true.

NAME (*typewritten*)	SIGNATURE
N. Martignoni	N Martignoni

OFFICIAL TITLE

Assistant Cashier - Bank of America NT&SA

ADDRESS 390 Fifth Street
Morro Bay, California

INSTRUCTIONS

1. This form shall be used whenever sureties on bonds to be executed in connection with Government contracts are individual sureties. There shall be no deviation from this form except as authorized by the General Services Administration.

2. A firm, as such, will not be accepted as a surety, nor a partner for copartners or for a firm of which he is a member. Stockholders of a corporate principal may be accepted as sureties provided their qualifications as such are independent of their stock holdings therein. Sureties, if individuals, shall be citizens of the United States, except that sureties on bonds executed in any foreign country, the Canal Zone, Puerto Rico, Hawaii, Alaska, Guam, or any possession of the United States, for the performance of contracts entered into in these places, need not be citizens of the United States, but if not citizens of the United States shall be domiciled in the place where the contract is to be performed.

3. The individual surety shall justify, under oath, in a sum not less than the penalty of the bond, according to the form appearing on the face hereof, before a United States commissioner, a clerk of a United States court, a notary public, or some other officer having authority to administer oaths generally. If the officer has an official seal, it shall be affixed, otherwise the proper certificate as to his official character shall be furnished. Where citizenship is not required, as provided in paragraph 2 of these instructions, the affidavit may be amended accordingly.

4. The certificate of sufficiency shall be signed by an officer of a bank or trust company, a judge or clerk of a court of record, a United States district attorney or commissioner, a postmaster, a collector or deputy collector of internal revenue, or any other officer of the United States acceptable to the department or establishment concerned. Further certificates as to the financial qualification of the sureties may be required from time to time. Such certificates must be based on the personal investigation of the certifying officers at the time of the making thereof, and not upon prior certificates.

U. S. GOVERNMENT PRINTING OFFICE 16—63324-1

EXHIBIT A to
Standard Form 28
General Services
Administration
Affidavit Of Individual Surety

Real Estate:

Following real property all situate in County of San Luis Obispo, State of California;

Parcel 1.

Lots 9 and 10, Blk. 24, Atascadero Beach . . . . . $ 50,000.
(N.W. corner Highways One and 466)

Parcel 2.

Lots 13 and 14, Blk. 2, Morro Heights . . . . . $ 25,000.
(770 Fifth Street, Morro Bay)

Parcel 3.

30 x 130' lot - foot of Fifth Street on Embarcadero, Morro Bay, being part of tidelands grant to Frederick Riley . . . . $ 15,000.

Parcel 4.

Lot 29 and portions of Lots 26, 27, 28 and 30, Blk. J., Cerrito Addn. (Acacia Street, Morro Bay). . . . . $ 25,000.

Parcel 5.

Lot 3 and parts of Lots 2, 6 and 7, Blk. L, Cerrito Addn.$ 35,000.
(Main Street, Morro Bay)

Total real property = $150,000.

Other Assets (personal property):

Cash on deposit, Bank of America NT&SA, Morro Bay. .	$ 15,000.
Furniture and household goods $3000 - automobiles $2500	5,500.
Stocks and other securities	1,500.
Note from G.L. Morris Development Company	75,000.
1/19 interest in 19-man partnership known as Morro Bay and Land Co. having extensive holdings including the South 640 acres of tidelands at the southerly end of waters in Morro Bay and approximately 500 acres of "uplands" adjoining such "tidelands".	300,000.

(Such property is listed for sale at $6,000,000 and the above-listed $300,000 interest assumes net interest after expenses of sale and various title and legal expenses. Assessed value not included on preceding page as not immediately available as same is kept with the records of Morro Bay and Land Co. but the property being undeveloped and much of it being tidelands, the development of which entails expenditure of considerable money, the assessed valuation is no doubt minimal.)

Total other assets = $397,000.

EXHIBIT A to
Standard Form 28
General Services
Administration
Affidavit Of Individual Surety

I am married to Louise M. Ogle and all the real property listed herein is in joint tenancy and a full 50% of said property is my sole and separate property as well as the cash in the bank which is listed at $15,000 being my sole account and also my interest in Morro Bay & Land Company. California, of course, is a community property state; however the property in joint tenancy would appear not to be exempt from seizure sofar as my interest is concerned.

My Signature As Surety:

Subscribed and sworn to before me this date at Morro Bay, California.

Frances R. Prosser Notary Public. 10/15/1962.

EXPLORATION CONTRACT
JACK SELBY AND WILLIAM J. DAWSON
OME-6168

EXHIBIT A

The purpose of the project is to explore for ores of mercury occurring as cinnabar disseminated in a sandstone lens by means of drilling from surface and crosscutting and drifting in the Keystone mine property. The work shall be performed in two stages. All of Stage I work shall be done as outlined herein, and as much of Stage II work as may be approved in advance by the Government. Stage II work shall be contingent upon favorable results having been obtained under Stage I, and Stage II work shall not be undertaken without prior approval of the Government.

General Conditions

Holes shall be drilled using NX or larger size coring bits, except that non-coring bits may be used when drilling above the ore zone, and BX size bits may be used where necessary to complete a hole. Holes shall be reamed and cased or cemented and redrilled where necessary. All cores shall be properly boxed and stored so as to be available for inspection by the Government. Core from drilling in significantly mineralized areas shall be split and one fraction reserved for the Government, stored in a suitable container properly identified as to the location. The remaining sample shall be assayed for mercury.

Sludge samples shall be taken during the core drilling; and in significantly mineralized sections where the core recovery is less than 60 percent, the sludges shall be assayed as above in addition to the core segments which have been recovered. No sample, either of core or sludge, shall represent a hole interval of more than 5 feet.

No work shall be done at locations closer than 100 feet to the property boundaries. The Government will not participate in the cost of incomplete holes. Casing left in drill holes at Operator's request will be for its sole account.

The locations and depths of all drill holes shall be subject to prior approval of the Government. No drill hole shall be drilled at a distance less than approximately 100 feet from another hole.

The Operator shall provide such supervisory and technical services as may be required to complete the project in a satisfactory manner.

Drifts and crosscuts shall be not less than 5 feet wide and 7 feet high in the clear of timber and shall be timbered as necessary, using standard drift sets consisting of not less than 8-inch by 8-inch timber, or the equivalent in round timber.

Mine rails shall be not less than 20-lb. size, air lines not less than 2-inch size, and water lines not less than 1-inch size. Ventilation lines shall be not less than 10-inch size.

Description of the Work

Stage I

An access road shall be constructed, located approximately as shown in brown color on Figure 1, heretofore mentioned (using a bulldozer of a size not less than TD-19 or equivalent size of another make); benches shall be cleaned and sites leveled for drilling; a spring shall be cleaned and an earth dam constructed for the purpose of furnishing water for drilling (using for this work a bulldozer of a size not less than TD-24 or equivalent size of another make). The Government will contribute to bulldozing costs of not to exceed 96 hours to construct the access road, and not to exceed 62 hours to clean benches, level drill sites, and construct an earth dam.

Approximately nine vertical holes shall be drilled, located approximately as shown in red color on Figure 2, titled "Grid For Exploration" attached hereto and made a part hereof. The Government will contribute to the cost of drilling not to exceed an aggregate total of 2,500 feet of drill holes. The Government will contribute to the cost of assaying not to exceed 200 samples under Stage I.

Stage II

Contingent upon favorable results of Stage I work, a portal site shall be prepared, using a bulldozer of a size not less than TD-24 or equivalent size of another make, portal constructed and timbered, and an adit crosscut and/or drift shall be driven for a distance of not to exceed 800 feet, located and in the direction approximately as shown in green color on Figure 2, hereinbefore mentioned, for the purpose of crosscutting to intersect mineralized area or areas indicated by Stage I work and/or drifting thereon. The Government will contribute under Stage II to the cost of not to exceed 800 feet of crosscutting and drifting, 400 feet of crosscut or drift timbering, and the assaying of 104 samples.

Estimated Cost of the Project

Stage I

Actual Costs

Category (1) Independent Contracts

Bulldozing to construct access road, 96 hours @ $14.00/hr.	$1,344.00	
Bulldozing to clean benches and level drill sites and to construct earth dam, 62 hours @ $16.00/hr.	992.00	
Transportation of size TD-24 bulldozer to and from job	160.00	
Drilling, size NX or larger, 1,000 feet non-coring @ $3.00/ft.	3,000.00	
1,358 feet coring, above 300-ft. depth, NX or larger size, @ $7.00/ft.	9,506.00	
Coring, size BX, @ $6.00/ft.		
142 feet coring, NX or larger size, @ $9.00/ft., below 300-ft. depth	1,278.00	
Coring, size BX, @ $8.00/ft.		
Reaming and casing, or cementing and redrilling, 250 feet @ $3.50/ft.	875.00	
Transportation of drill and equipment to and from job	150.00	$17,305.00

1000
1358
142
2,500

14,800.00 Am 11

Category (3), Operating Materials and Supplies

None except:		
10 drains, 12" pipe, 15' long for access road, @ $1.50/ft.	225.00	
40 wooden core boxes, @ $4.00/each	160.00	$ 385.00

Category (7) Miscellaneous

None except:

Assaying 200 samples for mercury @ $4.00/each		$ 800.00
Total Actual Costs		$18,490.00 15,904.00 Am #1 9,580.50 Am #2

Fixed Unit Costs

Amount →

Clean spring, construct earth dam, install water system, job, except bulldozing	$ 175.00	
Incidental allowance in lieu of all costs whatsoever, except those listed above, $0.84/ft. for 2,500 feet of drilling 2157	2,100.00	
		3,843.00 Am #1
Total Fixed Unit Costs		$ 2,275.00
Total Stage I		$20,765.00 19,947.00 Am #1 13,423.50 Am #2

Stage II

Actual Costs

Category (1) Independent Contracts

Bulldozing to prepare portal site, 4 hours @ $16.00/hr.	$ 64.00	

Category (7) Miscellaneous

None except:

Assaying 104 samples for mercury, @ $4.00/each	416.00	$ 480.00

Fixed Unit Costs

Construct adit portal, including timber, 1 job	485.00	
Drive adit crosscut, and/or drift, 800 feet @ $35.00/ft.	$28,000.00	

Timbering adit crosscut and/or drift, 400 feet @ $7.50/ft.	$3,000.00	
Total Fixed Unit Costs		$31,485.00
Total Stage II		$31,965.00

S U M M A R Y

Total Estimated Cost of Stage I	19,747.00 Am#1 $20,765.00
Total Estimated Cost of Stage II	$31,965.00 45,988.00 Am#2 51,772.00 Am#1
Estimated Total Cost of Project	$52,730.00
Government Participation	$26,365.00 25,856.00 Am#1 22,694.25 Am#2

Presidential Documents

Title 3—THE PRESIDENT

Executive Order 10925

ESTABLISHING THE PRESIDENT'S COMMITTEE ON EQUAL EMPLOYMENT OPPORTUNITY

WHEREAS discrimination because of race, creed, color, or national origin is contrary to the Constitutional principles and policies of the United States; and

WHEREAS it is the plain and positive obligation of the United States Government to promote and ensure equal opportunity for all qualified persons, without regard to race, creed, color, or national origin, employed or seeking employment with the Federal Government and on government contracts; and

WHEREAS it is the policy of the executive branch of the Government to encourage by positive measures equal opportunity for all qualified persons within the Government; and

WHEREAS it is in the general interest and welfare of the United States to promote its economy, security, and national defense through the most efficient and effective utilization of all available manpower; and

WHEREAS a review and analysis of existing Executive orders, practices, and government agency procedures relating to government employment and compliance with existing non-discrimination contract provisions reveal an urgent need for expansion and strengthening of efforts to promote full equality of employment opportunity; and

WHEREAS a single governmental committee should be charged with responsibility for accomplishing these objectives:

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States by the Constitution and statutes of the United States, it is ordered as follows:

PART I—ESTABLISHMENT OF THE PRESIDENT'S COMMITTEE ON EQUAL EMPLOYMENT OPPORTUNITY

SECTION 101. There is hereby established the President's Committee on Equal Employment Opportunity.

SEC. 102. The Committee shall be composed as follows:

(a) The Vice President of the United States, who is hereby designated Chairman of the Committee and who shall preside at meetings of the Committee.

(b) The Secretary of Labor, who is hereby designated Vice Chairman of the Committee and who shall act as Chairman in the absence of the Chairman. The Vice Chairman shall have general supervision and direction of the work of the Committee and of the execution and implementation of the policies and purposes of this order.

(c) The Chairman of the Atomic Energy Commission, the Secretary of Commerce, the Attorney General, the Secretary of Defense, the Secretaries of the Army, Navy and Air Force, the Administrator of General Services, the Chairman of the Civil Service Commission, and the Administrator of the National Aeronautics and Space Administration. Each such member may designate an alternate to represent him in his absence.

(d) Such other members as the President may from time to time appoint.

(e) An Executive Vice Chairman, designated by the President, who shall be *ex officio* a member of the Committee. The Executive Vice Chairman shall assist the Chairman, the Vice Chairman and the Committee. Between meetings of the Committee he shall be primarily responsible for carrying out the functions of the Committee and may act for the Committee pursuant to its rules, delegations, and other directives. Final action in individual cases or classes of cases may be taken and final orders may be entered on behalf of the Committee by the Executive Vice Chairman when the Committee so authorizes.

SEC. 103. The Committee shall meet upon the call of the Chairman and at such other times as may be provided by its rules and regulations. It shall (a) consider and adopt rules and regulations to govern its proceedings; (b) provide generally for the procedures and policies to implement this order; (c) consider reports as to progress under this order; (d) consider and act, where necessary or appropriate, upon matters which may be presented to it by any of its members; and (e) make such reports to the President as he may require or the Committee shall deem appropriate. Such reports shall be made at least once annually and shall include specific references to the actions taken and results achieved by each department and agency. The Chairman may appoint sub-committees to make special studies on a continuing basis.

PART II—NONDISCRIMINATION IN GOVERNMENT EMPLOYMENT

SECTION 201. The President's Committee on Equal Employment Opportunity established by this order is directed immediately to scrutinize and study employment practices of the Government of the United States, and to consider and recommend additional affirmative steps which should be taken by executive departments and agencies to realize more fully the national policy of nondiscrimination within the executive branch of the Government.

SEC. 202. All executive departments and agencies are directed to initiate forthwith studies of current government employment practices within their responsibility. The studies shall be in such form as the Committee may prescribe and shall include statistics on current employment patterns, a review of current procedures, and the recommendation of positive measures for the elimination of any discrimination, direct or indirect, which now exists. Reports and recommendations shall be submitted to the Executive Vice Chairman of the Committee no later than sixty days from the effective date of this order, and the Committee, after considering such reports and recommedations, shall report to the President on the current situation and recommend positive measures to accomplish the objectives of this order.

SEC. 203. The policy expressed in Executive Order No. 10590 of January 18, 1955 (20 F.R. 409), with respect to the exclusion and prohibition of discrimination against any employee or applicant for employment in the Federal Government because of race, color, religion, or national origin is hereby reaffirmed.

SEC. 204. The President's Committee on Government Employment Policy, established by Executive Order No. 10590 of January 18, 1955 (20 F.R. 409), as amended by Executive Order No. 10722 of August 5, 1957 (22 F.R. 6287), is hereby abolished, and the powers, functions, and duties of that Committee are hereby transferred to, and henceforth shall be vested in, and exercised by, the President's Committee on Equal Employment Opportunity in addition to the powers conferred by this order.

PART III—OBLIGATIONS OF GOVERNMENT CONTRACTORS AND SUBCONTRACTORS

SUBPART A—CONTRACTORS' AGREEMENTS

SECTION 301. Except in contracts exempted in accordance with section 303 of this order, all government contracting agencies shall include in every government contract hereafter entered into the following provisions:

"In connection with the performance of work under this contract, the contractor agrees as follows:

"(1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor,

state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

"(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

"(4) The contractor will comply with all provisions of Executive Order No. 10925 of March 6, 1961, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

"(5) The contractor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, and by the rules, regulations, and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

"(6) In the event of the contractor's non-compliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled in whole or in part and the contractor may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, and such other sanctions may be imposed and remedies invoked as provided in the said Executive order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

"(7) The contractor will include the provisions of the foregoing paragraphs (1) through (6) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the President's Committee on Equal Employment Opportunity issued pursuant to section 303 of Executive Order No. 10925 of March 6, 1961, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for non-compliance: *Provided, however,* that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States."

SEC. 302. (a) Each contractor having a contract containing the provisions prescribed in section 301 shall file, and shall cause each of its subcontractors to file, Compliance Reports with the contracting agency, which will be subject to review by the Committee upon its request. Compliance Reports shall be filed within such times and shall contain such information as to the practices, policies, programs, and employment statistics of the contractor and each subcontractor, and shall be in such form, as the Committee may prescribe.

(b) Bidders or prospective contractors or subcontractors may be required to state whether they have participated in any previous contract subject to the provisions of this order, and in that event to submit, on behalf of themselves and their proposed subcontractors, Compliance Reports prior to or as an initial part of their bid or negotiation of a contract.

(c) Whenever the contractor or subcontractor has a collective bargaining agreement or other contract or understanding with a labor union or other representative of workers, the Compliance Report shall include such information as to the labor union's or other representative's practices and policies affecting compliance as the Committee may prescribe: *Provided,* that to the extent such information is within the exclusive possession of a labor union or other workers' representative and the labor union or representative shall refuse to furnish such information to the contractor, the contractor shall so certify to the contracting agency as part of its Compliance Report and shall set forth what efforts he has made to obtain such information.

(d) The Committee may direct that any bidder or prospective contractor or subcontractor shall submit, as part of his Compliance Report, a statement in writing, signed by an authorized officer or agent of any labor union or other workers' representative with which the bidder or prospective contractor deals, together with supporting information, to the effect that the said labor union's or representative's practices and policies do not discriminate on the grounds of race, color, creed, or national origin, and that the labor union or representative either will affirmatively cooperate, within the limits of his legal and contractual authority, in the implementation of the policy and provisions of this order or that it consents and agrees that recruitment, employment, and the terms and conditions of employment under the proposed contract shall be in accordance with the purposes and provisions of the order. In the event that the union or representative shall refuse to execute such a statement, the Compliance Report shall so certify and set forth what efforts have been made to secure such a statement.

SEC. 303. The Committee may, when it deems that special circumstances in the national interest so require, exempt a contracting agency from the requirement of including the provisions of section 301 of this order in any specific contract, subcontract, or purchase order. The Committee may, by rule or regulation, also exempt certain classes of contracts, subcontracts, or purchase orders (a) where work is to be or has been performed outside the United States and no recruitment of workers within the limits of the United States is involved; (b) for standard commercial supplies or raw materials; or (c) involving less than specified amounts of money or specified numbers of workers.

SUBPART B—LABOR UNIONS AND REPRESENTATIVES OF WORKERS

SEC. 304. The Committee shall use its best efforts, directly and through contracting agencies, contractors, state and local officials and public and private agencies, and all other available instrumentalities, to cause any labor union, recruiting agency or other representative of workers who is or may be engaged in work under government contracts to cooperate with, and to comply in the implementation of, the purposes of this order.

SEC. 305. The Committee may, to effectuate the purposes of section 304 of this order, hold hearings, public or private, with respect to the practices and policies of any such labor organization. It shall from time to time submit special reports to the President concerning discriminatory practices and policies of any such labor organization, and may recommend remedial action if, in its judgment, such action is necessary or appropriate. It may also notify any Federal, state, or local agency of its conclusions and recommendations with respect to any such labor organization which in its judgment has failed to cooperate with the Committee, contracting agencies, contractors, or subcontractors in carrying out the purposes of this order.

SUBPART C—POWERS AND DUTIES OF THE PRESIDENT'S COMMITTEE ON EQUAL EMPLOYMENT OPPORTUNITY AND OF CONTRACTING AGENCIES

SEC. 306. The Committee shall adopt such rules and regulations and issue such orders as it deems necessary and appropriate to achieve the purposes of this order, including the purposes of Part II hereof relating to discrimination in government employment.

SEC. 307. Each contracting agency shall be primarily responsible for obtaining compliance with the rules, regulations, and orders of the Committee with respect to contracts entered into by such agency or its contractors, or affecting its own employment practices. All contracting agencies shall comply with the Committee's rules in discharging their primary responsibility for securing compliance with the provisions of contracts and otherwise with the terms of this Executive order and of the rules, regulations, and orders of the Committee pursuant hereto. They are directed to cooperate with the Committee, and to furnish the Committee such information and assistance as it may require in the performance of its functions under this order. They are further directed to appoint or designate, from among the agency's personnel, compliance officers. It shall be the duty of such officers to seek compliance with the objectives of this order by conference, conciliation, mediation, or persuasion.

SEC. 308. The Committee is authorized to delegate to any officer, agency, or employee in the executive branch of the

Government any function of the Committee under this order, except the authority to promulgate rules and regulations of a general nature.

SEC. 309. (a) The Committee may itself investigate the employment practices of any government contractor or subcontractor, or initiate such investigation by the appropriate contracting agency or through the Secretary of Labor, to determine whether or not the contractual provisions specified in section 301 of this order have been violated. Such investigation shall be conducted in accordance with the procedures established by the Commitee, and the investigating agency shall report to the Committee any action taken or recommended.

(b) The Committee may receive and cause to be investigated complaints by employees or prospective employees of a government contractor or subcontractor which allege discrimination contrary to the contractual provisions specified in section 301 of this Order. The appropriate contracting agency or the Secretary of Labor, as the case may be, shall report to the Committee what action has been taken or is recommended with regard to such complaints.

SEC. 310. (a) The Committee, or any agency or officer of the United States designated by rule, regulation, or order of the Committee, may hold such hearings, public or private, as the Committee may deem advisable for compliance, enforcement, or educational purposes.

(b) The Committee may hold, or cause to be held, hearings in accordance with subsection (a) of this section prior to imposing, ordering, or recommending the imposition of penalties and sanctions under this order, except that no order for debarment of any contractor from further government contracts shall be made without a hearing.

SEC. 311. The Committee shall encourage the furtherance of an educational program by employer, labor, civic, educational, religious, and other nongovernmental groups in order to eliminate or reduce the basic causes of discrimination in employment on the ground of race, creed, color, or national origin.

SUBPART D—SANCTIONS AND PENALTIES

SEC. 312. In accordance with such rules, regulations or orders as the Committee may issue or adopt, the Committee or the appropriate contracting agency may:

(a) Publish, or cause to be published, the names of contractors or unions which it has concluded have complied or have failed to comply with the provisions of this order or of the rules, regulations, and orders of the Committee.

(b) Recommend to the Department of Justice that, in cases where there is substantial or material violation or the threat of substantial or material violation of the contractual provisions set forth in section 301 of this order, appropriate proceedings be brought to enforce those provisions, including the enjoining, within the limitations of applicable law, of organizations, individuals or groups who prevent directly or indirectly, or seek to prevent directly or indirectly, compliance with the aforesaid provisions.

(c) Recommend to the Department of Justice that criminal proceedings be brought for the furnishing of false information to any contracting agency or to the Committee as the case may be.

(d) Terminate, or cause to be terminated, any contract, or any portion or portions thereof, for failure of the contractor or subcontractor to comply with the nondiscrimination provisions of the contract. Contracts may be terminated absolutely or continuance of contracts may be conditioned upon a program for future compliance approved by the contracting agency.

(e) Provide that any contracting agency shall refrain from entering into further contracts, or extensions or other modifications of existing contracts, with any non-complying contractor, until such contractor has satisfied the Committee that he has established and will carry out personnel and employment policies in compliance with the provisions of this order.

(f) Under rules and regulations prescribed by the committee, each contracting agency shall make reasonable efforts within a reasonable time limitation to secure compliance with the contract provisions of this order by methods of conference, conciliation, mediation, and persuasion before proceedings shall be instituted under paragraph (b) of this section, or before a contract shall be terminated in whole or in part under paragraph (d) of this section for failure of a contractor or subcontractor to comply with the contract provisions of this order.

SEC. 313. Any contracting agency taking any action authorized by this section, whether on its own motion, or as directed by the Committee, or under the Committee's rules and regulations, shall promptly notify the Committee of such action or reasons for not acting. Where the Committee itself makes a determination under this section, it shall promptly notify the appropriate contracting agency of the action recommended. The agency shall take such action and shall report the results thereof to the Committee within such time as the Committee shall provide.

SEC. 314. If the Committee shall so direct, contracting agencies shall not enter into contracts with any bidder or prospective contractor unless the bidder or prospective contractor has satisfactorily complied with the provisions of this order or submits a program for compliance acceptable to the Committee or, if the Committee so authorizes, to the contracting agency.

SEC. 315. Whenever a contracting agency terminates a contract, or whenever a contractor has been debarred from further government contracts, because of noncompliance with the contractor provisions with regard to nondiscrimination, the Committee, or the contracting agency involved, shall promptly notify the Comptroller General of the United States.

SUBPART E—CERTIFICATES OF MERIT

SEC. 316. The Committee may provide for issuance of a United States Government Certificate of Merit to employers or employee organizations which are or may hereafter be engaged in work under government contracts, if the Committee is satisfied that the personnel and employment practices of the employer, or that the personnel, training, apprenticeship, membership, grievance and representation, upgrading and other practices and policies of the employee organization, conform to the purposes and provisions of this order.

SEC. 317. Any Certificate of Merit may at any time be suspended or revoked by the Committee if the holder thereof, in the judgment of the Committee, has failed to comply with the provisions of this order.

SEC. 318. The Committee may provide for the exemption of any employer or employee organization from any requirement for furnishing information as to compliance if such employer or employee organization has been awarded a Certificate of Merit which has not been suspended or revoked.

PART IV—MISCELLANEOUS

SECTION 401. Each contracting agency (except the Department of Justice) shall defray such necessary expenses of the Committee as may be authorized by law, including section 214 of the Act of May 3, 1945, 59 Stat. 134 (31 U.S.C. 691): *Provided,* that no agency shall supply more than fifty per cent of the funds necessary to carry out the purposes of this order. The Department of Labor shall provide necessary space and facilities for the Committee. In the case of the Department of Justice, the contribution shall be limited to furnishing legal services.

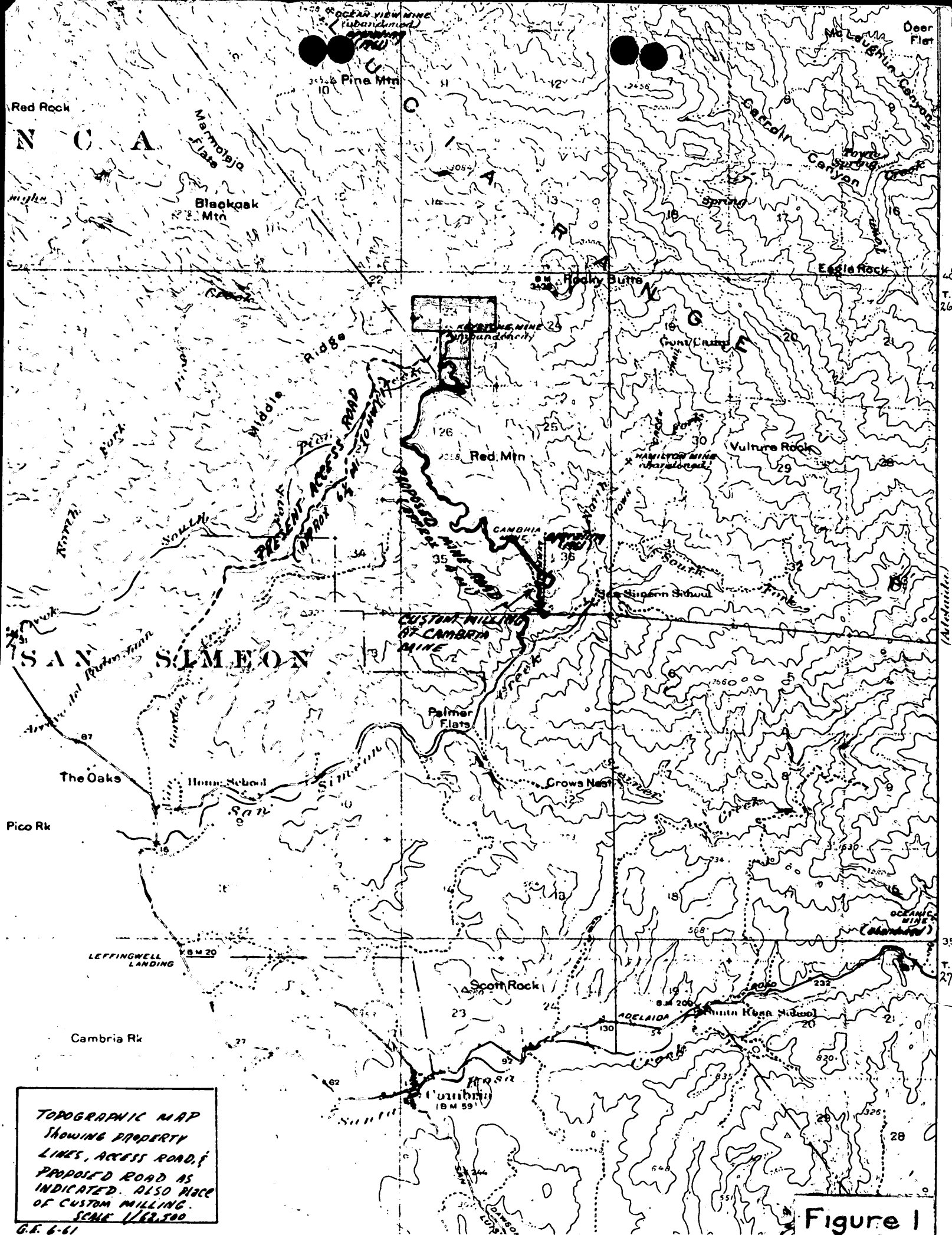
SEC. 402. This order shall become effective thirty days after its execution. The General Services Administration shall take appropriate action to revise the standard Government contract forms to accord with the provisions of this order and of the rules and regulations of the Committee.

SEC. 403. Executive Order No. 10479 of August 13, 1953 (18 F.R. 4899), together with Executive Orders Nos. 10482 of August 15, 1953 (18 F.R. 4944), and 10733 of October 10, 1957 (22 F.R. 8135), amending that order, and Executive Order No. 10557 of September 3, 1954 (19 F.R. 5655), are hereby revoked, and the Government Contract Committee established by Executive Order No. 10479 is abolished. All records and property of or in the custody of the said Committee are hereby transferred to the President's Committee on Equal Employment Opportunity, which shall wind up the outstanding affairs of the Government Contract Committee.

JOHN F. KENNEDY

THE WHITE HOUSE,
March 6, 1961.

[F.R. Doc. 61-2093; Filed, Mar. 7, 1961; 10:06 a.m.] 90048



TOPOGRAPHIC MAP SHOWING PROPERTY LINES, ACCESS ROAD, & PROPOSED ROAD AS INDICATED. ALSO PLACE OF CUSTOM MILLING. SCALE 1/62,500

G.E. 6-61

Figure 1

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
8/29	gad	220
		500
8/29	Holt	500

AUG 29 1961

Memorandum

To: W. R. Griswold, Chief
Division of Minerals

From: E. D. Talbert, Acting Chief
Contract Administration and Audit Division

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

As the evidence required by item 1(a) of the subject application dated July 18, 1961, for a project estimated to cost $201,190.91, the following have been submitted:

(a) Signed copies of identical letters dated July 27 from James S. Thwaites, a C.P.A. acting in behalf of the applicants, to the applicants' bank of account, the Morro Bay Branch of the Bank of America, Morro Bay, California, and the Mid-State Bank, Arroyo Grande, California, requesting the terms and conditions on which a $100,000.00 loan might be granted for exploring the Keystone Mine;

(b) The original of an August 23 final reply, which was preceded by other correspondence, from the Morro Bay Branch of the Bank of America stating "we are unable to comply with their request due to the fact that the bank looks upon a transaction like this as purely speculation"; and

(c) The original of a July 27 reply from the Mid-State Bank stating merely "we will not be interested in this type of loan".

The applicants' submission also includes prior correspondence with two private sources of credit, Edison A. French, M.D., San Luis Obispo, California, and the Independent Mortgage & Investment Company, Santa Cruz, California, in efforts to obtain financing.

The terms requested are not shown but this requirement of the regulations and the application seems to be merely academic in this case. Accordingly, on the basis of the cited correspondence, the applicants appear to be financially eligible for federal assistance in the proposed exploration work.

EDTalbert/ama
August 29, 1961

Copy to: Docket
Director's Reading File
Mr. Talbert

43683

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-2362 • RESIDENCE: HUNTER 9-7363

OFFICIAL FILE COPY
O. M. E
RECEIVED AUG 28 1961

DATE	INITIALS	CODE
8/28	[illegible]	500
"	[illegible]	500

The Director
Office of Minerals Exploration
United States Department of the Interior
Washington 25, D.C.

Re: OME-6168 (Mercury)
Jack Selby and William J.Dawson
Keystone Mine
San Luis Obispo County, California

Dear Sir:

I am instructed by my clients, Mr. Selby and Mr. Dawson, to acknowledge with thanks your letter of August 18,1961, and to enclose the following documents.

Copy of letter to Bank of America referring to their letter of July 31,1961, and requesting terms of possible loan

Original reply from Bank of America.

Copies of balance sheet of Mr. Selby and of Mr. Dawson, prepared without audit, as of August 15,1961. I am advised that no significant change has occurred in the financial condition of these partners since the period of the previous statement submitted, namely, April 30,1961.

Very truly yours,

James S. Thwaites

Cable Address—BANKAMERICA

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION

MORRO BAY BRANCH • 390 FIFTH STREET • MORRO BAY, CALIFORNIA

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 28 1961

DATE	INITIALS	CODE

August 23, 1961

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Dear Mr. Thwaites:

This is in reference to your letter dated August 23rd, pertaining to a loan in the amount of $100,000.00 to Mr. Jack Selby and Mr. William Dawson for the purpose of exploration of the Keystone Mine located in the area of Cambria, California.

I am very sorry to inform you, but we are unable to comply with their request due to the fact that the bank looks upon a transaction like this as purely speculation.

Very truly yours,

J. L. Williams
Manager

JLW/bm

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-2362 • RESIDENCE: HUNTER 9-7363

OFFICIAL FILE COPY
O. M. E
RECEIVED AUG 28 1961
DATE | INITIALS

August 23, 1961

The Manager
Bank of America
5th and D
Morro Bay, Calif.

KEYSTONE MINE
Mr. & Mrs. Jack Selby

Dear Sir:

Referring to your letter of July 31,1961, it is not clear whether or not you are prepared to make an immediate loan in the sum of $ 100,000.00 for the purposes of exploring this potential mercury property.

Production has been confined to small tonnage produced in the early part of this century and prior. The current program is designed to explore the full extent of the mercury body geologically inferred to exist.

I attach a balance sheet of Mr. and Mrs. Jack Shelby as of August 15, prepared without audit, and ask you to advise me immediately on what terms your Bank would be willing to make the loan.

Very truly yours,

James S. Thwaites

Copy

JACK AND GERALDINE SELBY

Balance Sheet at August 15, 1961

Assets.

Current Assets.

Cash at Banks	$ 7,500.00	
Investment, at cost	2,000.00	
Prepayment on 1961 Income Tax	1,000.00	$ 10,500.00

Fixed Assets:

	Cost	Accum Dpn.	Net.	
9th Street House	$ 13,950.00	66.00	12,884.00	
1960 Dodge	2,516.00	706.22	1,809.78	
1957 Pontiac	1,712.80	--	1,712.80	
	18,178.80	772.22		$ 17,406.58
				$ 27,906.58

Liabilities and Capital.

Current liabilities, contract		$ 580.56
Long-term liabilities, 1960 Dodge contract	$ 1,209.50	
less, current portion	580.56	628.94
		1,209.50
Capital: Jack and Geraldine Selby Net worth August 15, 1961		$ 26,697.08
		$ 27,906.58

Prepared without audit.

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 28 1961

DATE	INITIALS	CODE

WILLIAM DAWSON

Balance Sheet at August 15,1961

Assets		
Current Assets		
Cash at Banks	$ 22,000.00	
Notes receivable	1,000.00	
		$ 23,000.00
Fixed Assets:		
Furniture and tools at valuation	4,000.00	
Auto at cost, less depreciation	1,000.00	
1959 Ford Pick-up at cost	2,100.00	$ 7,100.00
		$ 30,100.00
Liabilities		nil
Capital, net worth William Dawson August 15, 1961		$ 30,100.00

Prepared without audit.

8/9/61
The application (3 pkgs) is contained in one pkg. and sent via first class mail today
G.E.

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

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

DATE	INITIALS	CODE
		√00
		√00

August 9, 1961

Memorandum

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

From: Acting Field Officer, OME
Region II

OME-6168

Subject: New Application --- Keystone Mine (Mercury)

Enclosed are the original and two copies of an application dated July 18, 1961 signed by Jack W. Selby, for assistance in exploring the Keystone Mine situated in San Luis Obispo County, California.

The applicants propose a two stage program consisting of:

Part 1:	2 1/2 miles of access road	@ $0.62 yd.	
	12,988 feet of drilling	@ 9.71 ft.	
	Total cost		$147,322.12
Part 2:	Underground exploration		
	800 feet of Adit	@ $53.11/ft	
	and additional costs		53,686.00
	Misc. additional costs		5,222.00
			$206,230.92

Performance Bond

The land is under lease and the landlord refuses to execute a Lien & Subordination agreement. The applicants state that a Performance Bond will be submitted in lieu of the Lien if a contract is approved.

The enclosed Geologic Report of July 12, 1961 signed by G. E. Eberhardt, estimates the proposed exploration will indicate about 435,300 tons of ore varying in grade from 10 lbs. - 151 lbs.+ per ton.

I made a brief inspection of part of this area on August 23, 1960 to obtain information for the Bureau of Mines. The adit was partially filled with water and muck and was not accessible. A very

recent forest fire had destroyed some of the buildings and the property was deserted.

The thrust fault mentioned by the Geologist was obscured by the overburden.

The applicants would agree to a very moderate program of road repairs, a few drill holes and/or the underground exploration.

The costs of drilling and the underground work are considered excessive. A field investigation to evaluate the proposal is recommended.

Glenn G. Gentry

OME File

P. S. We are retaining one copy of the application and one copy of the Geologist's report in our files.

G. G.

UNITED STATES
DEPARTMENT OF THE INTERIOR
Branch of Base and Ferrous Metals
GEOLOGICAL SURVEY

Geologic Division
345 Middlefield Road
Menlo Park, California

OFFICIAL FILE COPY
O. M. E.
IN REPLY REFER TO:
RECEIVED AUG 14 1961

DATE	INITIALS	CODE
July 26, 1961		

Mr. Glen G. Gentry
U. S. Bureau of Mines
555 Battery Street
San Francisco, California

Dear Glen:

Edgar Bailey tells me that he has not visited the Keystone mine and does not have any additional data on it that is not already available to you from Bulletin 922 R. Robert Yates, who is a co-author of this bulletin, is headquartered at Menlo Park, but he is now doing field work in the State of Washington and won't return here until September 1. Perhaps if your trip to the Keystone will be delayed about 3 to 5 weeks as you suspected, Yates will be available to talk to you about the Keystone and the exploration possibilities there.

Sincerely yours,

Hal

Hal T. Morris

Form No. 4-1123
(December 1948)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

ROUTING AND TRANSMITTAL SLIP

To: | Division or Branch | Date AUG 16 1961

(1) Office of Minerals
(2) Exploration
(3)
(4)

Remarks:

- [ ] Necessary action
- [ ] Approval
- [ ] Signature
- [ ] Prepare reply
- [ ] Your comment and return
- [ ] Note and surname
- [ ] Note and return
- [ ] Your information
- [ ] See me
- [ ]
- [ ]
- [ ]

W. L. Shafer
(Name)

6.03 C
(Office)

GPO 885455

Shafer

6.03 C

555 Battery Street
San Francisco 11, California

August 9, 1961

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 17 1961

DATE	INITIALS	CODE
8/17	Received	500

Mr. James W. Thwaites
Certified Public Accountant
1015 Grande Avenue
Arroyo Grande, California

Re: Keystone Mine ~~(Mercury)~~

Dear Mr. Thwaites:

Your application for Government Financial Assistance in exploring the Keystone mine has been reviewed in this office and forwarded to the Washington, D. C. Office of Minerals Exploration for further consideration.

OME-6168

Very truly yours,

Glenn G. Gentry
Acting Field Officer, OME
Region II

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

OME Files

RECEIVED
BUREAU OF LAND MANAGEMENT
WASHINGTON, D.C.
1961 AUG 14 PM 3 00

MME Form
Dec. 1958

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

Budget Bureau No. 42–R1368
Approval expires Dec. 31, 1963

APPLICATION FOR FINANCIAL ASSISTANCE IN MINERALS EXPLORATION

Pursuant to Public Law 85–701 (72 Stat. 700; 30 U.S.C. 641)

NAME OF APPLICANT *(Full legal name and mailing address as they should appear on contract if one is executed.)*

Jack Selby & William J.Dawson
P.O.Box 993
Morro Bay, Calif.

APPLICANT DO NOT USE THIS BLOCK

DOCKET NUMBER: OME-6168

DATE RECEIVED: 8-11-61

REGION: II

DIVISION CODE: 500

BUSINESS ORGANIZATION *(Check one)*

- INDIVIDUAL [ ]
- CORPORATION [ ]
- PARTNERSHIP [X]
- OTHER *(Specify)* [ ]

STATE IN WHICH FIRM IS ORGANIZED: Calif.

LIST CORPORATE OFFICERS OR PARTNERS HERE, IF APPLICABLE

NAME	ADDRESS	TITLE
Jack Selby	P.O.Box 993 Morro Bay	Partner
William J.Dawson	3496 Mayfair Blvd. Fresno 3, Calif.	Partner

MINERAL(S) FOR WHICH YOU WISH TO EXPLORE: Mercury (Cinnabar)

ESTIMATED COST OF PROJECT: $ 201,190.91

PROPERTY NAME	LOCATION COUNTY	STATE
Keystone Mine	S.L.O.	Calif.

GENERAL INSTRUCTIONS

Before filling out this application, please read the *OME Regulations for Obtaining Federal Assistance in Financing Explorations for Mineral Reserves* (30 CFR Chap. III). To assure prompt action, your application must provide all applicable material and information specified on the back of this application form. Avoid unnecessary correspondence and delays by submitting complete and accurate information. *Please submit four copies of this application and all accompanying papers* except as otherwise noted. Place your name and address on each sheet. Each item of information, maps, and reports required as a part of this application is described on the back of this form. Identify each attached statement by the item number to which it applies. If an item does not apply to your application, show the item number on your statement and after it write "not applicable." Maps or sketches should be used to supplement narrative descriptions of the property location and boundaries in item 2, existing mine workings and geology in item 3, and the proposed exploration work in item 5. When this information is not too complex, all of it may be shown on one map or sketch. All documents and other attachments submitted as a part of this application, except those in item 3(g) which you mark to be returned, become the property of the Government and will not be returned to the applicant. Send true copies, *not originals*, of leases, contracts, and other documents which are an essential part of your business records. *File this application with the Office of Minerals Exploration, Department of the Interior, Washington 25, D. C., or with the nearest OME Field Office.*

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, and that he would not ordinarily undertake the proposed exploration under current conditions and circumstances at his sole expense.

7/18/61
DATED

Jack W. Selby
BY *(Signature)*

PARTNER
TITLE

A wilfully false statement or certification to any Department or Agency of the United States Government is a criminal offense. U. S. Code, Title 18, Sec. 1001.

INFORMATION REQUIRED WITH THIS APPLICATION

1. Financial Eligibility:

(a) Submit evidence of efforts made within 90 days preceding the filing of this application to obtain credit from your bank of account and at least one other banking institution or other private source of credit. Such evidence shall include true copies of correspondence which show: (1) date of loan request, (2) amount and terms requested, (3) proposed use of loan funds, and (4) the replies from credit sources. If the loan was offered under terms which you consider unreasonable, state why you consider them so.

(b) List names and addresses of affiliated, parent, or controlling companies or organizations and state extent and nature of their interest.

(c) State how you propose to furnish your share of the exploration [redacted] cost.

2. Applicant's Rights in Land:

(a) State your interest in the land and mineral rights, whether owner, lessee, purchaser under contract, or other. If you are not the owner, submit one true copy of the lease, contract, or other document (with address of owner) under which you control the property. Describe all liens, mortgages, or other encumbrances on the land and state book and page number and official place where recorded.

(b) State the legal description (section, township, and range; metes and bounds; patent number of claims) of the land upon which you wish to explore and all adjacent land which you own or control. Describe any part of the land or workings which should not be subject to Government royalty and liens. If the land consists of unpatented claims, state book and page number for each recorded location notice, including amended locations, and official place where recorded. State all the names by which you know the property.

(c) For all land or mineral rights encumbered or not owned, submit five copies of Lien and Subordination Agreements on MME Form 52. If the agreements cannot be obtained, state reasons and provide copies of letters of refusal.

3. Physical Description:

(a) Describe in detail and illustrate with maps or sketches all mining or exploration operations which you know have been or are being conducted upon the land. Include existing mine workings and all production facilities.

(b) State your interest, if any, in operations described in (a).

(c) State, if you know, the past and current production, supporting your statement with copies of settlement sheets, mine records, or published data if available.

(d) Describe known ore reserves, giving quantities and grades and sampling methods used. Support your statement with copies of assay certificates and assay maps if available.

(e) Describe by narrative and maps or sketches the geologic features of the property, including ore minerals, geologic formations if known, and type of deposit (vein, bedded, etc.).

(f) State your reasons for expecting to find ore, and if you have sampled the area you propose to explore, show where the samples were taken, describe sampling methods used, and provide copies of assay certificates.

(g) Send with your application at least *two* copies of all geologic or engineering reports, assay maps, or technologic information which you have, indicating whether you require their return.

4. Accessibility of Property:

(a) To aid the OME representative who may examine the property, state name and address of person who will meet him; give directions for reaching the property; and describe accessibility of property and of any mine workings.

(b) Name the shipping and supply points and state the distances to the property.

5. Exploration Work:

(a) Describe fully the proposed exploration work giving individual footages and sizes of openings *for each item of work.* Use narrative, maps, plans, and sections as necessary. Show location of the proposed work as related to geologic features such as veins, ore-bearing beds, contacts of rock formations, etc. Show also the relation of the proposed work to any existing mine workings and to *land boundaries* or to the closest identifiable corner.

(b) If an access road must be built, show the proposed location on the property map and state the length, type and construction methods proposed.

(c) If an OME contract is executed, state how soon thereafter work would be started and finished. State your anticipated average daily or monthly rate of progress for each type of work.

6. Experience:

State your operating experience and background to conduct this exploration work and also that of the person who will supervise the work.

7. Estimate of Costs:

Furnish detailed estimates of the necessary costs *for each item of the work proposed in 5(a)* under the headings listed below with a total for each heading and the estimated total cost of the work. Costs for any work to be performed by an independent contractor should be listed separately under category (a) below. Costs for any work that is not to be performed by an independent contractor should be listed under categories (b) through (g).

(a) Independent contracts. State the total cost of any proposed independent contract for all or any part of the work, and the number of units and the unit cost for each type of work, such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, or per cubic yard of material moved. Cost estimates should be supported by bids from three contractors if possible. (*Note*—If none of the work is to be contracted, write "none" after this item.)

(b) Personal services. The cost of supervision, engineering and geological services, outside consultants, and labor should be itemized by numbers and classes of employees; rates of wages, salaries or fees; and periods of employment. State whether these services are available.

(c) Operating materials and supplies. List items of material and supplies giving quantity and cost of each. Include under this heading power, water, and fuel, and units of equipment and tools costing less than $50 each.

(d) Operating equipment. List items of equipment and tools costing $50 or more per unit. Give specifications and indicate how each item is to be acquired—i.e., rented, purchased or provided by the applicant. If rented or purchased, state the estimated rental or purchase price. If furnished by the applicant, state condition and present fair market value.

(e) Initial rehabilitation and repairs. Describe the type and the cost of *initial* rehabilitation or repair of existing buildings, fixtures, installations (exclusive of mine workings), and movable operating equipment now owned by the applicant which will be used in the exploration work.

(f) New buildings, fixtures, installations. Describe each building, fixed improvement, and installation to be purchased, constructed, or installed for the exploration work, stating specifications and cost including labor, materials, and supervision.

(g) Miscellaneous. Describe the type and estimate the cost of repairs and maintenance of the operating equipment listed in 7(d). Do not repeat initial repairs listed in 7(e). Show also the costs of analytical work, accounting, workmen's compensation and employees' liability insurance, payroll taxes, and other required costs that do not fall within the previous categories. [*Note*—The Government will not contribute to costs incurred before the date of the contract, or to costs of or incident to: (1) acquiring, using, or possessing land and any existing improvements, facilities, buildings, installations, and appurtenances, or the depreciation and depletion thereof; (2) general overhead, corporate management, interest and taxes (other than payroll and sales taxes); (3) insurance (other than employees' liability insurance); and (4) damages to persons or property (other than authorized repair to or replacement of equipment or other property used in the work).]

INT.-DUP. SEC., WASH., D.C. 48140

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DATE	INITIALS	CODE

O.M.E.APPLICATION

Keystone Mine

Mercury

CONTENTS

Application MME Form 40
Summary of Criteria 301.7 a) - h)
Information: Items

1. Financial eligibility.
2. Applicants' rights in land.
3. Physical description.
4. Accessibility.
5. Exploration work.
6. Experience of key personnel.
7. Estimate of costs.

Summary - Total costs of project.
Estimate of program costs.
Summary by category.

7a. Independent contracts.
7b. Personal services.
7c. Operating materials and supplies.
7d. Operating equipment.
7e. Initial rehabilitation.
7f. New buildings.
7g. Miscellaneous.

Exhibits

1 - 3, as indexed.

3g. Geological Report (two copies), accompanying.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

Cable Address—BANKAMERICA

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION

MORRO BAY BRANCH • 805 MAIN STREET • MORRO BAY, CALIFORNIA

July 31, 1961

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Dear Mr. Thwaites:

This is in reference to your letter dated July 27, 1961, pertaining to a loan in the amount of $100,000.00 to Mr. Jack Selby and William Dawson for the purpose of operating the Keystone Mine.

Before we commit ourselves, it will be necessary that we have a financial statement of Mr. Selby, Mr. Dawson and the production figures of the Keystone Mine for the last three years. Upon receiving this information we will be able to give you a more definite answer.

Very truly yours,

J. L. Williams
Manager

JLW/bm

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-2362 • RESIDENCE: HUNTER 9-7363

OFFICIAL FILE COPY
O. M. E
RECEIVED AUG 11 1961

DATE	INITIALS	CODE

July 27, 1961

Bank of America
5th & D
Morro Bay, Calif.

Attention of: Mr. John Williams, Manager

Gentlemen: KEYSTONE MINE

I am acting as legal representative of the owners of this Mercury project, Mr. Jack Selby and William Dawson, joint leasees, to request a loan of $100,000.00 for the purposes of exploring the Keystone Mine.

My clients expect to repay this sum from production of mercury from ore discovered in the mine.

Please advise me as to the terms and conditions on which this loan might be granted.

Very truly yours

James S. Thwaites

Cable Address—BANKAMERICA

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION

MORRO BAY BRANCH • 390 FIFTH STREET • MORRO BAY, CALIFORNIA

1. Q. H)

OFFICIAL FILE COPY
O. M. E
RECEIVED AUG 11 1961

DATE	INITIALS	CODE

May 17, 1961

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Dear Mr. Thwaites:

This is in reference to your letter dated May 15, 1961, pertaining to a loan in favor of Mr. Selby and Mr. Dawson whom are operating the Keystone Mine located in the Cambria area.

I noticed in your third paragraph you requested a loan for approximately $40,000.00 for the purpose of exploration and production in the mining program at the Keystone Mine. However, due to the fact that this looks like purely a speculation deal we are unable to comply with your request.

Very truly yours,

J. L. Williams
Manager

JLW/bm

FRENCH MEDICAL CLINIC
SAN LUIS OBISPO, CALIFORNIA

SECTION ON SURGERY
DR. EDISON A. FRENCH

May 18, 1961

CONFIDENTIAL

Mr. James S. Thwaites
1015 Grand Avenue
Arroyo Grande, California

Dear Mr. Thwaites:

Thank you for your letter of May 15 regarding the Keystone Mine. I am not interested at this time.

Sincerely,

Edison A. French, M.D.

EAF:sgb

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-2362 • RESIDENCE: HUNTER 9-7363

Midstate Bank
Arroyo Grande, Calif.

July 27,1961

Gentlemen: KEYSTONE MINE

I am acting as legal representative of the owners of this Mercury project, Mr. Jack Selby and William Dawson, joint leasees, to request a loan of $100,000.00 for the purposes of exploring the Keystone Mine.

My clients expect to repay this sum from production of mercury from ore discovered in the mine.

Please advise me as to the terms and conditions on which this loan might be granted.

Very truly yours

James S. Thwaites

MID-STATE BANK
Arroyo Grande · California

P. O. BOX 66

July 27, 1961

Mr. James Thwaites
1015 Grand Avenue
Arroyo Grande, California

n re: Keystone Mine

Dear Mr. Thwaites:

This is to acknowledge receipt of your letter of July 27 wherein you request a loan in the amount of $100,000 for the purpose of exploration in developing the Keystone Mine for the production of Mercury.

I regret that we will not be interested in this type of loan.

Very truly yours,

David Q. Vordermark

David Q. Vordermark
Vice President and Cashier

DQV:ylk

8/3/61

Mr Thacker:

Please, if convenient, send me a copy of your letter.

If not available the letter to the Commissioner will be sufficient.

G. Cutler

COPY OF LETTER IS IN APPENDIX

INDEPENDENT MORTGAGE AND INVESTMENT COMPANY
118-A Locust Street
Santa Cruz, California

May 16, 1961

John J. Murphy

James S. Thwaites
1015 Grand Ave.
Arroyo Grande, California

Subject; Keystone Mining Property

Dear Mr. Thwaites:

Mr. C.C. Christensen has given me your letter of May 6, 1961.

I have made quite a thorough investigation into the possibility of finding an investor, or investors, for the Morro Bay mining properties. I have not as yet received a favorable response from known investors either in this area or in the San Jose area.

I will, of course, keep you in mind and will advise you immediately of any possibilites for financing that may appear in the future.

Thank you for your consideration.

Sincerely yours,

John J. Murphy

JJM

O.M.E. APPLICATION

KEYSTONE MINE

SUMMARY

It is submitted that the attached application meets the criteria for an O.M.E. exploration contract.

Criteria 301.7

301.7 a) Geological probability of significant discovery.

The accompanying geological report by an independent consulting geologist, G. Eberhardt, indicates the following conservative estimate of probable mercury bearing ore:

High Grade - over 15 lbs. per ton	66,300	tons.
Medium ------10 - 15 lbs. per ton	140,100	"
Low -------- Under 10 lbs per ton	228,900	"
	435,300	

As stated in the report, this estimate of tonnage has been deliberately limited and is regarded as a minimum probable discovery. Refer plates 3 e) 1 - cross sectional and vertical views of probable body, Plates 1 and 2.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

301.7 b) Estimated cost of exploration in relation to size and grade of potential deposit.

The estimated recoverable mercury value of the potential deposit is:

High grade	$2,685,150.00
Medium	3,790.800.00
Low	4,127,760.00
	$10,603,710.00

The total cost of exploration under the proposed program is:

Part I Surface exploration by core drilling (flexible locations)	$147,322.11.
Part II Underground exploration by adit.	53,868.80
	$201,190.91

This represents 1.8% of the minimum probable mercury value, a very low cost in relation to the value of this deposit of strategic metal.

Jack Selby and William Dawson
P. O. Box 993
Morro Bay, California

301.7 c) Plan and method of conducting Exploration.

The exploration is to be conducted by experienced personnel under the supervision of a qualified resident consulting geologist. The plan, in summary, consists of a drilling program on selected sites to prove the geologically probable location of the main ore body, to be followed by an adit or underground exploration to substantiate the results of drilling.

This program is recommended in the accompanying geological reports and is detailed in information items 5 and 7 herein. - See Grid Map for Exploration 3. e. 1).

301.7 d) Accessibility of the project area.

The project area is easily accessible, lying within San Luis Obispo County, approximately 2½ miles off a well-built County Road, 6½ miles north of the Town of Cambria and 6 miles due east of the San Simeon Hearst Ranch. The Mine site can be approached on an existing trail, by jeep or 4-wheel drive pick-up. The proposed access road - Item 5.b. - will give easy access on an engineered contour-graded all weather surface which can easily be maintained.

No labor or supply problems are expected on account of accessibility of the mine area.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

301.7 e) Background and Operating Experience of Applicants.

The background and operating experience of the applicants and their associates is of a high caliber - see information Item 6 - Key Personnel.

Applicants themselves are experienced construction men with several years Mining and Structural experience. Their associate, W. D. Pierce, is an experienced Underground Mine Operator and a successful General Construction Contractor. In addition, applicants have secured the services of a Resident Consulting Geologist and of a Certified Public Accountant experienced in the financial aspects of Mine exploration and development.

This constitutes a balanced working team which applicants propose to perpetuate on the Keystone Property and to extend to further Mining prospects in due course.

301.7 f) Applicants' Right to Possession of the Property.

Applicants' right to possession of the property stems from their lease with the Owner, binding by renewal until at least May 31, 1972.

This is estimated to be sufficient time to repay by royalties the O.M.E. loan applied for - see 301.7 b) above.

No difficulties are expected in securing further extensions of the lease beyond 1972 and it is intended to negotiate for an extended term after the benefits of production start to reach the Owner by his share of royalties - 10% under the lease.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

301.7 g) Unavailability of Funds from Commercial Sources.

Funds are not available for exploring this project from commercial sources - see information 1. c).

Application was made to known investment sources for $40,000.00 - a minimum sum which, with applicants' own cash resources, would enable only partial exploration and subsequently poor-boy development to production.

Even this limited sum was not obtainable. Insufficient exploration has been done and the deposit is at present insufficiently proven to induce commercial investment.

Applicants are reassured that this exploration program will provide sufficient data to permit proper development of the property. Subsequent development and production can, thereafter, be achieved by the established agreement with an experienced underground Mining associate who will add equipment and labor in return for a profit share - see information memorandum 1.c.1) and 1.c.2) - and by initial custom milling at the adjacent mercury producer, the Cambria Mine.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

301.7 h) Whether applicants would normally undertake Exploration at sole expense under current conditions.

Applicants would not undertake the proposed exploration at their sole expense.

Applicants have already devoted personally, time, labor and cash exceeding $8,000.00 to this project. They also granted a sub-lease (since expired) under which a sub-lessor invested about $40,000.00 in exploration beyond their control and without benefit of competent geological advice. This has re-emphasized applicants view that a controlled exploration program is an essential preliminary before the property can be brought to production. They now face the alternatives of:

a) Bringing the project to production by poor-boy methods on inadequate data to justify immediate mining, with consequent risk of ruining a valuable deposit.

or b) Collecting comprehensive geological data to determine the location and extent of the ore bodies, the existence of which has been indicated by previous exploration work, and of then following up these scientific results by a properly planned development and mining program, to utilize this deposit economically and fully.

This second alternative b) is clearly the proper and prudent course to adopt. However, applicants cannot obtain the finance necessary for a proper exploration program from commercial sources - see information Item 1. a. 4) - and do not possess sufficient financial resources to enable applicants to carry the entire costs of comprehensive exploration now required - see information 1. c. 3) and 4).

In these circumstances, applicants could not undertake this exploration at their sole expense, although this exploration is essential to the proper utilization of this Mercury Mine.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

INFORMATION FOR APPLICATION

Keystone Mine
Mercury

1. FINANCIAL ELIGIBILITY

a) 1. Application was made on May 15, 1961, to Mr. Selby's Bank of account (copy attached) - 1.a.1), and on May 6 and May 15 to known sources of private credit in similar terms. 1.a.4).

2. $40,000.00 was requested, to be repaid from production within two years with interest and additional participation in the net profits.

3. These funds were requested for the purpose of completing exploration and bringing Mine into production with a rotary mill.

4. Negative replies were received from:

Bank of America, Morro Bay - Bank of Account - May 17 1961 - (copy attached) - 1.a.4).

Dr. Edison French, San Luis Obispo, Calif., - May 18, 1961 (copy attached).

Independent mortgage and investment company, Santa Cruz - May 16, 1961 (copy attached).

In essence, the basis of these refusals is the availability of realty development in the coast area offering attractive investment to venture capital and the aversion of non-venture capital to investment in a mine at this stage of development.

b) There are no affiliated parent or controlling companies or organizations.

c) Applicants share of cost of exploration work will be furnished by applicants Jack Selby and William Dawson by cash contribution and by agreement with W. D. Pierce, an experienced underground miner and general contractor, whereby equipment and labor will be made available in return for a small cash advance in anticipation of a future share of profits, as detailed in attached memorandum of Joint Venture 1.c.1) and 1.c.2). Statements

Jack Selby and William Dawson
P. O. Box 993
Morro Bay, California

of financial resources of Mr. Jack Selby (Balance Sheet at 4/30/61) - 1.c.3), and Mr. William Dawson (Balance Sheet at 4/30/61) - 1.c.4), are attached showing a joint net worth of $56,402.71 at April 30, 1961; of which $31,876.92 is represented by cash and securities.

Jack Selby and William Dawson
P. O. Box 993
Morro Bay, California

2. APPLICANTS RIGHTS IN LAND

a) Applicants interest in land and mineral rights is set out in attached copy of lease of June 1, 1957, as amended by agreement dated August 6, 1957, (exhibits 2.a.1) and 2.a.2)). Owners' address is: Phelan Land and Cattle Company
P. O. Box 317
San Luis Obispo, Calif. ? Combining?

Applicants Jack Selby and William Dawson are joint lessees of Keystone Field for purposes of conducting quicksilver mining operations and removing quicksilver therefrom.
Lease runs from June 1, 1957 to May 31, 1962, with option to renew by notice in writing for two further periods of five years each from June 1, 1962 to May 31, 1967;and June 1, 1967 to May 31, 1972.

Note ? See Agreement and p. 4 of on-site Exam Rpt

To the best of applicants' knowledge and belief land is unencumbered.

b) Keystone Mine is located in Section 23, Township 26,South; Range 8 East, M.D.B. & M, as shown on U.S.Corp of Engineers' map attached, - exhibit 2b). The mine is located, recorded and recommended for further exploration and development in U.S.Geological Survey 922R.

c). Lien and subordination agreement MME Form 52 cannot be obtained from the landowner - Phelan Land & Cattle Co. - for reasons set out in landowner's letter of refusal - attached, exhibit 2.c.1). Preliminary agreement is being sought with an acceptable surety company, to complete standard Form 25, Performance Bond, if required in lieu of this lien and subordination agreement.

Note

3. PHYSICAL DESCRIPTION

The following matters 3 a. - 3 f. are detailed in the Geological Report submitted herewith.

In summary the facts are:

3. a. Past Mining and Exploration

This Keystone prospect is reported in U. S. Geological Survey Bulletin 922-R and recommended:

> "Existence of good ore at surface and reports that even richer ore was extracted from the winze on the lower level both seem to indicate that further exploration and development are advisable".

The prospect was previously mined with the successful extraction of high grade Cinnabar. Mining is believed to have stopped for financial reasons.

Further exploration was conducted later by a sub-lessor without benefit of Geological advice or supervision. Promising showings detailed in the Geological Report were not followed up, no cores were taken and the results are merely indicative of a substantial ore body partially located.

Further exploration of an old adit and by completing a new adit was then conducted by the applicants. Cleaning this adit and exploration with competent geological advice is now included in the program. 5 a) Part I - 4.

All past workings and most of the previous exploration centered around an ore bearing vein leading away from what is now believed to be the main site of an ore body.

The accurate location of this body is the main target of the proposed program.

Existing production facilities are limited to a trial retort built by the applicants. However, provision has been made for initial custom milling by the Owners of the adjacent Cambria Mine. It is expected that revenue from this source will enable the repayment of an OME loan on initial production and the subsequent construction of a mill at the Keystone Mine site.

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3. b. Applicants' interest in past operations was limited to exploration by the two adits mentioned above - 3. a.

3. c. Past production is mentioned above - 3. a. and detailed in the Geological Report - 3 g). There is no current production.

3. d. There are no proven ore reserves in the absence of drill cores. Plates 3. e. 1) - views of probable body show a minimum expection of ore reserves.

These ore reserves are estimated at:

435,300 tons valued at $10,603,710.00 recoverable mercury value, calculated on a conservative basis, as detailed in the accompanying Geological Report - 3 g.

3. e. Geological features and supporting sketches or maps.

Exhibits 3. 3. 1) - Plates 8, 9, and views of probable ore zones are attached.

The main feature of this area is a thrust zone which appears to have trapped ascending mineral solutions, forming a commercially valuable ore deposit.

Full details of the Geology of the area are included in the attached Geological Report.

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3. f. Reasons for Expecting to Find Ore

The Reasons for expecting to find ore are outlined fully in the Geological Report herewith. In summary, competent Geological opinion is that the thrust zone forms a favorable area for the entrapment of ore and that past exploration and production indicate that entrapment has taken place on a moderately wide scale in a specific area.

3. g. Two copies of a Geological Report dated July 14, 1961, by Gerhard E. Eberhardt, Consulting Geologist, are submitted herewith. These Reports should please be returned.

Note

1 copy in map folder, 1 copy with Rep. II

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INFORMATION FOR APPLICATION (contd)

4. ACCESSIBILITY OF PROPERTY

Phone ?

a) Jack Selby, P. O. 993, Morro Bay - SP.2-8154, will be available by appointment to meet an O.M.E. representative. Keystone Mine can be reached by San Simeon Road, off Highway 1, ½ mile, turn left to Machado Ranch and follow trail to Keystone Hill.

In addition to this existing trail, an all weather access road is proposed to be driven - see Item 5 b), Exploration Work - 2½ miles, from good existing County road and to the mine site. This access road presents no problems and will be contoured to ensure permanent accessibility for vehicles.

b) Shipping and Supply points are via Cambria Mine by truck on access road proposed 5.b).

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5. EXPLORATION WORK

a) Proposed Program

The proposed exploration program is described in the accompanying Geological Report - Exhibit 3 g.

The program as a whole is divided into two parts, a drilling and surface exploration program and a subsequent underground exploration adit, with related units of work as follows: and for which estimated costs are detailed separately under Item 7, herein.

5. a) Part I. 1. Preparatory: Cleaning old drill benches, cleaning nearby spring and construction of small earth dam to obtain water for drilling unit, cost 32 hours, estimate $1,446.40.

2. Benching new drill sites for drilling program.

Unit cost 80 hours, estimate $3,216.00.

3. Surface drilling 38 holes in area recommended in Geological Report and sited on Isopach map herewith - Item 3. e. 1), Plate 8 as follows:

Total drilling 12,988 feet, of which 4,654 ft. will be cored.

Unit cost estimate $9.71 per foot.

Note: It will be appreciated that the exact location of drill holes within each of the above areas will be reviewed in the light of preceding drilling results.

It is not proposed to alter significantly the footage to be drilled without first obtaining O.M.E. approval to a program amendment.

5. a) Part I 4. Cleaning existing old adit and exploring.

Unit cost estimate $2,765.00.

5. a) Part II.

On the basis of the drilling program results above, which will be corelated, reviewed, and reported upon by the resident Consulting Geologist, (See Misc. 7 g.) it is proposed to drive an exploration adit. The location of this adit is based on the consistent hypothesis recommended in the Geological Report.

If the drilling results suggest an alternative location for this exploration adit, a program amendment will be submitted for O.M.E. approval.

5. a) Part II. 1. Clear entrance area and erect portal to adit.
Unit cost 16 hrs. est. $822.80. = 51.43/hr

2. Drive exploration adit (4'x6') 800 ft. from base of Keystone Hill to confirm ore zones indicated by drilling, to locate intervening ore zones and to extend geological knowledge of body. Cost per ft. est. $53.11

3. Provision is also made for timbering the exploration adit. Cost per ft.timbered, est.$13.34.

5. b) Part I. Construction of Access Road.

The location of an existing temporary trail is shown on map in Geological Report 3. g. - and see Item 3 e. -

Extending, grading and levelling an access road is proposed as shown on map in Geological Report 3. g. and 3. a. 1).

The length of this road is estimated at 2½ miles (4,400 yard); Type -- all weather, non-metalled, contoured dirt road with provision for drains construction; by available T. D. 24 under supervision of experienced general contractor.

Unit Cost est. ..... $0.98 per yard. 0.62

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5. c. If an O.M.E. Contract is executed, it is proposed to start the above work immediately.

Estimated completion rates are:

5. a. Part I.

		Man Hours	Working days
1.	Cleaning old benches, cleaning springs and constructing dam	144	4
2.	Benching new drill sites	360	10
3.	Drilling program @ av: 5.6 ft. per hour	7,938	284
4.	Cleaning old adit and exploring	224	8
5. a.	Part II		
1.	Erection of portal	128	2
2.	Driving adit @ 8 ft. per day.	6,400	100
3.	Timbering adit	710	23
5. b.	Part I		
	Access road at av. 367 yards per day.	480	12
		16,384 man. hrs.	443 working days.

It is proposed to work double shifts on the drilling program and on driving the adit. Estimated completion is therefore approximately 16,384 man hours, 242 days.

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INFORMATION FOR APPLICATION (contd)

6. The operating experience and background of key personnel is summarized as follows:

Jack Selby ..... (co-applicant) - Manager of Steiner Creek property, 1955; Superintendent - Pipe-fitting Aton & Smith, Nacimiento Dam, 1956. Foreman - Forgeron, Bakersfield. and with William Dawson, 1957, to date on Keystone project.

William J. Dawson .....(co-applicant) - Mining since 1932. Tunnelling with Bureau of Reclamation 1935. Underground work, P.G.& E. (Hass Power House, 1957). John Hoffman Enterprises - 1958. and with Jack Selby, 1957 to date on Keystone project.

Walter Donald Pierce . (Joint venturer with applicants) - Owner and Manager, surface and underground mining, Pick & Shovel Mine, Morro Bay, 1955 - 1957. (a successful chrome-producing property). Contractor, stripping, mining and hauling, Castro Mine, Trinidad Mine, Hardface Mine, 1953 - 1956. General Contractor- heavy construction 1957 to date.

Gerhard E. Eberhardt . Consulting Geologist - Washington State University, Bachelor of Science in Geology (1953). University of Calif. Post Graduate study. Geophysicist, Standard Oil 1957 - 1960. Consulting Geologist - Bright Outlook, Cima, California. Keystone Mine (1958 to date), and other prospects. Investigated magnetite possibilities of Columbia River Mouth, Washington and Oregon, 1956 - date.

James S. Thwaites .... Certified Public Accountant (California 1958). Fellow of Institute of Chartered Accountants (Eng. 1950). Associate of Institute of Arbitrators,
Former London Secretary - Messina (Transvaal) Development Co. Ltd., Mining properties Transvaal, S. Africa and S. Rhoesia. Director and Secretary, M.T.D.Copper (Sales) Ltd. - sole world sales agents.

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7. SUMMARY

Total Costs of Project

Part I. Core Drilling & Surface Exploration

5. a. 1.	Cleaning benches 16 hrs.@ $50.20 =		803.20
	Dam 16 hrs.@ $40.20 =		643.20
2.	New benching 80 hrs. @ $40.20 =		3,216.00
3.	Drilling.		
	Area detailed in Plates 8 & 9 (see Exhibit 3.e.1))		
	12,988 ft. @ $9.71 = 126,125.76 (124,113.00)		
	Add allowable overhead costs (7e.-g.) below. = 9,436.00		
	...12,988 ft.@ $10.44 = 135,561.76 → 135,594.72		135,561.76
4.	Explore old adit.		
	64 hrs. @ $43.20 =		2,765.00
5. b.	Access Road. 7,040 yds. @ $0.62 per yard.=		4,332.96 (4364.80)
	TOTAL COST PART I =		147,322.12

Part II. Underground Exploration

5. a. 1.	Erect portal 16 hrs. @ $51.43 =		822.80
2.	Drive adit 800 ft. @ $53.11. = 42,488.00		
	Add allowable overhead costs 7.g. below = 5,222.00		
	800 ft. @ $59.63 =		47,710.00
3.	Timber adit.		
	400 ft. @ $13.34 per foot =		5,336.00
	TOTAL COST PART II		53,686.80

TOTAL COST	Part I	147,322.12
	Part II	53,686.80
		201.008.92

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Note:

Allowable overhead costs added to Part I Item 5.a.3) above:

7. e. Initial rehabilitation, repair.	50.00
7. f. New buildings	600.00
7. g. Miscellaneous	8,786.00
	9,436.00

Allowable overhead costs added to Part II Item 5. a. 2) above:

7. g. Miscellaneous	5,222.00

The above costs have been estimated on an overall hourly and footage basis in order to simplify bookkeeping and payment for work accomplished.

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7. ESTIMATE OF PROGRAM COSTS

The exploration costs are based on current wage rates, supply and equipment rates. Personnel, including applicants, are experienced Foremen and Journeymen entitled to standard wage rates for their labor. Corresponding savings in the time of completion through efficiency are included.

Costs based on an overall hourly and footage basis in order to simplify book-keeping and payment for work accomplished.

5. a. Part I

1) Clean benching sites; clean springs and construct earth dam.

Clean old drill benches: 16 hours.

Rental of T.D.24 with operator ($4.00 p.hr.) 16 hours @ ~~22.50~~/hr.	360.00	256.00
Labor & supervision (i,ii,iv(½ time)) 40 man hours @ 5.20/hr.	208.00	75.00
Geologic supervision (iii).....	75.20	75.00
Haulage T.D.24 to site (2-way)	160.00	160.00
= $50.20 per hour overall	$803.20	566.00

Clean out springs and construct earth dam - 16 hours.

Rental of T.D.24 with operator 16 hrs. @ 22.50/hr.	360.00	256.00
Labor & supervision (i, ii, iv (½ time)) 40 man hours @ 5.20/hr.	208.00	75.00
Geologic supervision (iii) and mapping 16 hours @ 4.70/hr.	75.20	
= $40.20 per hour overall	643.20	331.00

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5. a. Part I

2) Benching new drill sites - ~~80~~ 16 hours.

Rental of T.D.24 with operator,
~~80~~ 16 hours @ ~~22.50~~ 16/hr. ..... 1,800.00 × 256.00

Labor & Supervision (i,ii,iv
(½ time)), ~~200~~ 16 hrs.@ ~~5.20~~ 3.75/hr. .. 1,040.00 × 60.00

Geologic supervision iii,
~~80~~ 16 hrs.@ 4.70/hr 376.00 75.00
= $~~40~~.20 per hr. overall 3,216.00 390.00

3) Rental of Geophysical rotary drill with operator & helper:
$3.00 per foot without core.
$7.00 per foot with core to 300 ft.
$12.00 per foot with core below 300 ft.
$22.00 per foot with core below 300 ft.
with allowance for very hard ground
and renewal of bits.
Continuous inclinometry, 10¢ per foot 1,298.80. X

Labor and supervision, two drills
including surveying and mapping
assistance.
(i,ii,iv (½-time)) @5.20/hr;5,670-hrs. 29,484.00 X

Geologic supervision (iii) @ 4.70/hr.
and corelation 2,268 hrs..... 1,065.96 X

120 core trays and 480 sample bags ... 45.00

Mapping, materials, Isopach maps 12.00

Assays 465 @ 5.00 ..... 2,325.00

Area; per plates 9h & 8, (Exhibit 3.e.1) and
grid for exploration.
38 holes 12,988 feet.
8,334 ft. without core, 834 hrs.
@ 3.00 per ft. 25,002.00
4,654.ft. with core, 1,164 hrs -
2,543 above 300-ft. level, @7.00 p.ft. 17,801.00
2,111 below 300 ft. level @ 12.00 " " 25,332.00
Expected loss of circulation, highly
brecciated ground.
1,080 feet - 270 hurs. p.ft. @ 22.00 23,760.00

OVERALL COST 126,125.76
= $9.71 per ft.

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5. a. Part I

4) Clean Old Adit and explore - 64 hours.

Clean to intersection of veins 240' from portal - 24 hours.
Clean from intersection of veins to old winze - 32 hrs.
Sink 8 ft. shaft - 8 hrs.

- $5.00 per day. Rental use of mucking machine.	40.00
Air compressor @ 4.00 per hr.	256.00
Horizontal and inclined drilling: Rental use of core drill $5.00 /hr. 20 hrs	100.00
Labor & supervision (i,ii,iv) 192 man hrs.@ 5.20/hr.	998.40
Geologic supervision & sampling 64 hrs. @4.70	300.80
Timbering 30 sets, 36 ft. @ 5.87 p.ft.	1,056.60
Powder 5 sticks p/ft.,8ft.@1.20 p.ft	9.60
Primers ..... .15 "	1.20
Fuse ..... .30 p.ft.	2.40
= $43.20 p/hr overall	2,765.00

5. a. Part II

1) Clear back area and construction of Portal - 16 hrs.

Rental of T.D.24 with operator, 4 hrs. @ 22.50	90.00
Labor and supervision (i,ii,iv) 48 man hrs. @ 5.20/hr.	249.60
Mining labor, hauling, etc. 4 men $3.50 per hr. including payroll taxes and dues. 64 man hours @ 3.50	224.00
Geologic supervision and mapping (iii) 16 hrs. @ 4.70	75.20
Timber, as itemized - 7 c)	184.00
	822.80

= $51.43 per hour overall.

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5. a. Part II

2) Driving adit 800 ft. 40 hr. week.
Advance 8-ft. per day = 100 days.
Labor and supervision.
(i, ii, iv).
2,400 man hours @ $5.20

= $12,480.00 = 15.60 per ft. X

½ Geologic supervision and sampling
800 man hours @ 4.70
= $3,760.00 = 4.70 " " X 2.35

Mining labor (4), 3,200 man hours
@ 3.50.
= $11,200.00 = 14.00 " " ✓

Operating materials and supplies,
per 7. c). = 4.20 " " ✓

Air blower @5.00 per day.
= $500.00 = .63 " " ✓

Slusher (first 120 ft) 120 hours
@ 5.00 per day.
= $75.00 = .09 " " ✓

Power saw @ 7.00 per day = .88 " " ✓

Jackhammer @ 7.00 per day = .88 " " ✓

Air compressor @ 4.00 per hour = 4.00 " " ✓ 4

Mucking machine @ 5.00 per day = .63 " " ✓

Light plant @ 5.00 per day = .63 " " ✓

Track 600 ft. @ cost 200.00.
Add 1,000 ft. @ 12¢ per lb.
50 lbs. per yard.
= $1,800.00 = 2.50 " " ✓

Sampling assays 200 @ ~~5.00~~ 400 = 1.25 " " X 1.00

Inclined Drill @ 25.00 per day = 3.12 " " ✓ 9

53.11 per foot X
34.91

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5. a. PART II

3) Timbering adit, 6' segments 400 ft., materials cost, per 7 c)	=	5.87 per ft.
3 Sets, 2 men, 8 hours, 355 man hours @ 3.50 per hour. = $1,242.50	=	3.11 " "
Supervision and labor (i, ii), 355 man hours @ 5.20/ hour. = $1,846.00	=	4.36 " "
COST PER FOOT	=	13.34

5. b. PART I

Driving, grading and levelling access road. 4 miles, 96 hours.

Rental T.D.24 @ 22.50/hr.	=	2,160.00
10 Drains; 12" pipe, 15 ft. per drain @ 1.50 per ft.	=	225.00
Supervision and labor (i, ii, iv). 288 man hrs. @ 5.20	=	1,496.76
Geologic supervision, Inc. Surveyors. 96 hurs. @ 4.70	=	451.20
		4,332.96

Est. 7040 yrds. = $0.62 per yard.

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7. ESTIMATE OF COSTS: SUMMARY BY CATEGORY

a) Independent Contracts - nil.

Note: Bids on the drilling program were received (copies attached) as follows:

	John T. Gardner	Jess Barnes	R. B. Yager	W. D. * Pierce
Without core	3.25	3.00	3.00	3.00
With core	7.50	7.25	7.25	7.00
Below 300-ft. without core.	20.00	3.50	-	-
With core.	-	15.00	15.00	12.00
With core hard going.	35.00	25.00	25.00	22.00

*Applicants decided to use bids to determine market value of drilling in view of other work, at proper market rates, undertaken by W. D. Pierce on basis of paying contractor by cash advance and profit sharing arrangement outlined in memorandum 1. c. 1) attached. This payment arrangement gives W. D. Pierce an interest in the ultimate mine production and this work is not therefore listed as an independent contractor.

b). Personal Services

i. Jack Selby - Labor and supervision - $900.00 p.m. = 5.20 p/hr.
ii. William Dawson -" " " - 900.00 " = 5.20 "
iii. Gerhard Eberhardt - Resident Consulting Geologist - $800.00 p.m. = 4.70 "
iv. W. D. Pierce - Labor and supervision -900.00 = 5.20 "
v. Four Mining laborers, including dues and payroll taxes = 3.50 "
vi. T.D.24. Operator = 4.00 "

7. b) Personal Services - Analysis of Man hours

(continued on page following) .....

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Analysis of Man Hours

	i	ii	iii	iv	v(4)	vi	Total
5.a.Part I							
1. Clean	16	16	16	8	-	16	72
Dam	16	16	16	8	-	16	72
2. Bench	80	80	80	40	-	80	360
3. Drill	2,268	2,268	2,268	1,134	-	-	7,938
4. Clean adit	64	64	64	32	-	-	224
5b.Access road	96	96	96	96	-	96	480
Total PART I	2,540	2,540	2,540	1,318	-	208	9,146
5.a.Part II							
1. Portal	16	16	16	16	64	-	128
2. Drive	800	800	800	800	3,200	-	6,400
3. Timber	178	177	-	-	355	-	710
Total Part II	994	993	816	816	3,619	-	7,238

All the above personal services are available on QM.E approval of contract.

7. c). OPERATING MATERIALS AND SUPPLIES

5. a. Part II 1. Construction of Adit Portal.

Timber: 5 sets 8" x 8" - 100 lin. feet.....	80.00
2" x 12" 400 lin. feet	104.00
(including spikes)	
	$184.00

5. a. Part II. 2.Driving Adit - 800 ft.

Powder, 5 sticks per ft;	= 1.20	per ft.	Explosives Hof 1.65/ft
Primers 11 to round ...	= .15	"	
Fuse	= .30	"	
Air pipe	= .50	"	
Water pipe 3/4"800 ft.+	= .12	"	
Track 2 ft. per ft. delivery			100.00
Timber 4 x 6 ties, 2 ft. per ft.	.60	"	
Lighting wiring	= .15	"	
Ventilation per line ..	= .30	"	
	3.32	"	2,656.00
			2,756.00

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5. a. Part II 2.
continued.

7. c) OPERATING MATERIALS AND SUPPLIES

B/forward		2,756.00
6 new shovels @ 3.50 each...	21.00	
6 " picks @ 3.50 ea.	21.00	
Steel starters 2', 4', 6', @ 30.00 ea.	90.00	
2 carbeloid bits @ 40.00 ea.	80.00	
2 ordinary bits @ 3.00 ea..	6.00	
12 steel helmets @ 4.00 ea.	48.00	
Lights for same @ 12.00 ea.	144.00	
3 sledgehammers @ 10.00 ea.	30.00	
2 axes @ 6.50	13.00	
1 hatchet @ 5.00	5.00	
1 adze @ 15.00	15.00	
Miscellaneous small tools .	50.00	523.00
		3,279.00
= per foot of adit		$ 4.20

5. a) Part II. 3. TIMBERING ADIT, 6' Segments -

12" x 12", 17 lin. ft. per segment.	3.33 per ft.	
Wedges, 16 per segment	.54 " "	
Lagging, per ft. of segment	2.00 " "	
	5.87 " "	
x 400 ft. timbering		2,348.00
= per foot of adit.		2.93

b) ACCESS ROAD

10 drains; 12" pipe, 15 ft. per drain @ 1.50 per ft.	225.00

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7. d. OPERATING EQUIPMENT OVER $50.00 PER ITEM

Items to be provided by W. D. Pierce on rental under memorandum of joint venture 1. c. 1) and 1. c. 2) attached.

Item	CONDITION	SALE VALUE*	RENTAL RATE
Wright Power Saw	Good	150.00	6.00 per day.
Slusher, cables & bucket.	Good	600.00	5.00 " "
Ingersoll-Rand Jackhammer & Jack-leg.	Good	600.00	7.00 " "
Chicago-Pneumatic 105 air compressor	Good	1,000.00	4.00 " hour. ?
Mucking machine	Good	500.00	5.00 " day.
Track 600' Inc. 3 cars.	Fair	200.00	
Light plant 2 kv.	Good	300.00	5.00 " "
		3,350.00	

* Provisional agreement for sale of these items to applicants out of production profits at above written down values is recorded in Memorandum 1. c. 1) and 1. c. 2). Sale is not effective until production profits are realized. Normal rental basis applied above.

Other Rental Items

Rotary Geophysical Drill Rig - Rental on fair footage basis plus allowance for drill bits on very hard ground.

T. D. 24 ..... Rental 22.50 per hour. x 16.00

Air Blower (ventilation ..... Rental 5.00 per day.

Ex-inclined core drill ..... " 25.00 " " ?
" " core bits @ 120.00 each (2) ... $240.00.
" " core barrel @ 100.00 ", (2) ... $200.00.

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7. e) INITIAL REHABILITATION AND REPAIRS

Repair to trailer for overnight accommodation on site.
Trailer contributed by W. D. Pierce. - see 1. c. 1) and 1. c. 2) $50.00

7. f) NEW BUILDINGS, FIXTURES AND INSTALLATIONS FOR EXPLORATION WORK

Previous buildings destroyed by fire.

New tool shed New Wash-off shed	Material	$250.00
	Labor	250.00
Shower installation Hot water heater	.....	50.00
Stretcher and first aid kit, contributed by W. D. Pierce. - see 1. c. 1) and 1. c. 2)		50.00
		$600.00

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7. g) MISCELLANEOUS

Repairs and Maintenance of Equipment; nil, covered by rental

Analytical work

Surface Geology, 50 assays @ 5.00 ..... $250.00

Accounting (Payroll and costs)

Payroll clerk @ 90.00 per week. est. 30 weeks.	=	2,700.00
C.P.A. Accounting 7.50 per hour. Monthly reports est. 200 hours.	=	1,500.00
W. C. Insurance @ 10.00 per $100.00.		
Est. total payroll, per man hour analysis. $77,122.10	=	7,712.00
Employee's Liability Insurance	=	1,000.00

Other - Surveying iii, i, and iv.

Geological analysis, surface and drill results consulting geologist 180 hours @ 4.70 =	846.00
TOTAL	14,008.00

COSTS APPLIED TO PROGRAM

5. a) Part I. 3 - Drilling -	Surveying	846.00	
	Analytical	250.00	
	Accounting	750.00	
	W.C.I. & Others	6,940.00	8,786.00
5. a) Part II. 2 - Adit. -	Accounting	750.00	
	Remainder	4,472.00	5,222.00
	TOTAL		14,008.00

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EXHIBITS

Attached to O.M.E. Application on Keystone Mine

1. a. 4) True copies of correspondence with financial sources and replies:

   Bank of America, Morro Bay, Letter of May 17, 1961.
   Dr. Edison French, S.L.O. " " May 18, 1961.
   Independent Mortgage & Investment Co., Santa Cruz, Letter of May 16, 1961.

1. c. 1) True copies of memorandum of Joint Venture.

1. c. 2) " " " " " " " (equipment list).

1. c. 3) Balance Sheet - Jack Selby, 4/30/61.

1. c. 4) " " William Dawson, 4/30/61.

2. a. 1) & 2) True copies of lease of June 1, 1957, as amended August 6, 1957.

2. b. Copies of U. S. Corp. of Engineers map showing mine area (State of Calif., Department of Public Works, S.L.O. County, San Simeon Quadrangle) - Plate 11.

2. c. 1) True copies of landowner's letter of refusal, of May 23, 1961.

3. e. Sketch-Maps.

3. e. 1) Plate 8, Isopach top and bottom of ore zone with drill hole depths.

   Plate 9, Geologic test holes.

   Plates - Crossection (Plate 1); and vertical view (Plate 2) of indicated ore zones.

   Grid for exploration.

7. a. Diamond drill bids, true copies.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California.

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1.a.1)

James S. Thwaites
Certified Public Accountant
1015 Grand Ave., Arroyo Grande, Calif.
HUnter 9-2362. Res. HUnter 9-7363

May 15, 1961

Confidential

The Manager
Bank of America
5th and D.
Morro Bay, Calif.

KEYSTONE MINE

Dear Sir:

My client, Mr. Jack Selby, who maintains his account with you, has asked me to obtain your views on finance for the Keystone Mine.

This property is held by Mr. Selby and Mr. Dawson on lease for the production of mercury. They have spent four years opening up a very promising vein of cinnabar.

Further finance of the order of $40,000 is now required to complete a new exploration shaft to the face of the vein and to bring the mine into production with a rotary mill.

Geological and financial reports are available, naturally.

At this stage, however, we would appreciate an expression of opinion from you on whether you may be interested in financing this project.

It is estimated on present information that the principal could be repaid from production within a period of two years and that a reasonable rate of interest would be available as a return on this loan.

I will be glad to supply any further information you may require, and look forward to your views at your earliest convenience.

Very truly yours,

(signed)

James S. Thwaites
Certified Public Accountant

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BANK OF AMERICA
National Trust and Savings Assoc.

Morro Bay Branch, 390 Fifth Street, Morro Bay, California

May 17, 1961

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Dear Mr. Thwaites:

This is in reference to your letter dated May 15, 1961, pertaining to a loan in favor of Mr. Selby and Mr. Dawson whom are operating the Keystone Mine located in the Cambria area.

I noticed in your third paragraph you requested a loan for approximately $40,000.00 for the purpose of exploration and production in the mining program at the Keystone Mine. However, due to the fact that this looks like purely a speculation deal we are unable to comply with your request.

Very truly yours

(signed)

J. L. Williams
Manager

JLW/bm

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JAMES S. THWAITES
Certified Public Accountant
1015 Grand Avenue, Arroyo
Grande.

HU 9 - 2362

May 15, 1961

Confidential

Dr. Edison A. French
1326 Higuera
San Luis Obispo,

Dear Dr. French:

KEYSTONE MINE

Responsible clients of mine have asked me to make an approach to you and Dr. Geo. O. French as they understand you are occasionally interested in mining properties offering a sound return.

My clients and their associates have spent four years opening up a very promising vein of cinnabar on the Keystone property, which they hold for mercury production under lease. Further finance of the order of $40,000 is now needed to complete a new exploration shaft to the face of the located body and to bring the mine into production with a rotary mill.

Geological and financial reports are available, of course, and it is understood that any financing would be subject to verification of these reports. However, the development is now so far advanced that a single core-drilling will prove the richness and depth of the main rich zone.

It is estimated on present information that the principal could be repaid from production within a period of two years and that a reasonable rate of interest plus participation in the net profits would be available as a return on this investment.

If I could have the benefit of your preliminary views, I would be glad to arrange an interview with my clients at your convenience.

Yours very truly

(signed)
James S. Thwaites
Certified Public Accountant

c.c. Dr. Geo O. French
124 Longview Lane
San Luis Obispo

C
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1.a.4)

FRENCH MEDICAL CLINIC
San Luis Obispo, Calif.

May 18, 1961

CONFIDENTIAL

Section in Surgery
Dr. Edison A. French

Mr. James S. Thwaites
1015 Grand Avenue
Arroyo Grande, California

Dear Mr. Thwaites:

Thank you for your letter of May 15 regarding the Keystone Mine. I am not interested at this time.

Sincerely

(signed)

Edison A. French, M.D.

EAF/agb

C
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P
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JAMES S. THWAITES
Certified Public Accountant
1015 Grand Ave.Arroyo Grande
California
HU.9 - 7363

May 6, 1961
Confidential

Mr. Patrick J. Murphy
Tri-County Mortgage Co.
Santa Cruz, California

By hand of: Mr. C. C. Christensen

Dear Mr. Murphy:

Responsible clients of mine have asked me to make inquiries and to apply for finance to bring into production their Keystone mining property in Morro Bay.

They and their associates have invested to date $42,000 in proving a thirty-thousand ton deposit of cinnebar. Further finance of the order of $40,000 is needed to complete a new exploration shaft and to bring the mine into production.

Geological and financial reports are available, naturally, and it is understood that any financing would be subject to verification of these reports and inspection of the underground workings and assays.

However, it is estimated on present information that the principal could be repaid within a period of two years and that a reasonable rate of interest plus participation in the net profits would be available as a return on this investment.

If I could have the benefit of your preliminary views, I would be glad to make a formal application for submission by my clients to any party you may recommend.

Very truly yours

(signed)
James S. Thwaites
Certified Public Accountant

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INDEPENDENT MORTGAGE AND INVESTMENT COMPANY, 118-A Locust Street
Santa Cruz, California
May 16, 1961

John J. Murphy

James S. Thwaites
1015 Grand Avenue
Arroyo Grande, Calif.

Subject: KEYSTONE MINING PROPERTY

Dear Mr. Thwaites:

Mr. C. C. Christensen has given me your letter of May 6, 1961.

I have made quite a thorough investigation into the possibility of finding an investor, or investors, for the Morro Bay mining properties. I have not as yet received a favorable response from known investors either in this area or in the San Jose area.

I will, of course, keep you in mind and will advise you immediately of any possibilities for financing that may appear in the future.

Thank you for your consideration.

Sincerely yours

(signed)
John J. Murphy

JJM

MEMORANDUM OF JOINT VENTURE
KEYSTONE MINE

This Memorandum records the intention of Jack Selby, William J. Dawson and W. D. Pierce to join together to explore and subsequently to bring into production the Keystone Mine, Morro Bay, California.

Contributions:

Jack Selby and William J. Dawson will provide finance necessary to carry out the exploration program as agreed with O.M.E.

They will also contribute personal time and labor on the project valued at $900.00 per month each, immediately O.M.E. approval is granted. They will further contribute jointly to the costs of securing a competent resident Consulting Geologist to supervise and direct all exploration work, at a retaining fee of $800.00 per month.

W. D. Pierce will contribute the use of suitable equipment wholly owned by him and listed in the attached exhibit 1.c.2) and will procure and supervise competent labor and efficient equipment to perform the drilling and underground exploration program as agreed with O.M.E. in a workmanlike manner to O.M.E. approval.

On the satisfactory completion of the O.M.E. exploration program, Jack Selby, William Dawson and W. D. Pierce will continue to contribute as above to the work of bringing the Mine into production.

Shares:

W. D. Pierce will be entitled to draw in cash from Jack Selby and William Dawson an advance participation of his share of profit. This advance will be calculated at the following rates on completion of work satisfactorily to O.M.E. approval:

$2.00 per foot of surface drilling without core.
$5.00 per foot of surface core drilling to 300 ft.
$9.00 per foot of surface core drilling beyond 300 ft.
$15.00 per foot of surface core drilling beyond 300 ft. in very hard ground requiring renewed bits.
$16.00 per foot of adit driven.
$10.00 per foot of adit timbered.
$12.00 per hour for roughing access road and benching.
$150.00 for haulage of T.D.24 to and from site.
$400.00 for cleaning area behind and erecting portal.
$3.50 per hour for mining laborers.

Provided that the above work shall be prescribed by and carried out under the direction of the resident Geologist.

Also provided that if W. D. Pierce's share of net profits is less than the total advance participation drawn as agreed above, any deficiency need not be repaid by W. D. Pierce to Jack Selby and William Dawson, who will bear this deficiency in equal shares as a loss.

In computing net profits from production, there will be deducted from gross proceeds of sale of mercury or mercury content:

A. 10% royalty payable to Phelan Land and Cattle Co. in the terms of land lease dated June 1, 1957, as amended by agreement dated August 6, 1957 - copies attached as exhibits 2.a.1) and 2.a.2).

B. 5% royalty payable to U. S. Government under O.M.E. contract, or such other rate as this O.M.E. contract may require.

C. Mining costs, production costs and selling costs normal and necessary to the mining, production and sale of mercury. Including such development work as may be reasonable and prudent to extend the useful working life of the Mine to the benefit of the parties to this agreement. But excluding costs arising from the personal services of Jack Selby and William Dawson, and excluding costs for which W. D. Pierce is entitled to an advance participation of profit under this agreement.

D. Personal services of Jack Selby and William Dawson at the rate of $1,000.00 per month each.

E. Other management and overhead costs normal and necessary to the mining, production, or sale of mercury and to the organization thereof.

The determination of gross proceeds and net profits as defined above will be made by James S. Thwaites, C.P.A., subject to audit by Government agency or any independent Certified Public Accountant engaged by any party to this agreement.

Net profits will be divided as follows:

First. By a reimbursement to Gerhard Eberhardt of $1,000.00 for past services in prospecting and preparing geological reports.

Second. By allocation of profit to James Thwaites for financial advice and services in preparing O.M.E. proposal ..... 5%.

Third. By a deduction to reimburse Jack Selby and William Dawson for the advance participation of profits drawn by W. D. Pierce under this agreement.

Fourth. To W. D. Pierce for services and use of equipment as detailed in this agreement 31-2/3%. Provided that the first $3,520.00 so paid shall be considered full purchase of the equipment listed at the prices listed in exhibit 1.c.2) by Jack Selby and William Dawson. ... 31-2/3%

To Jack Selby and William J. Dawson in equal shares ..... 63-1/3%. ... 63-1/3%

100%

Assets and Liabilities

Participation in profits as above shall not constitute W. D. Pierce and James Thwaites partners in the Keystone Mine for purposes of losses or debts. Any losses are to be borne by Jack Selby and William Dawson in equal shares, insofar as losses exceed profits.

All rights to capital equipment purchased from W. D. Pierce as above will remain exclusively in Jack Selby and William Dawson, including capital gain or loss on the disposal of this equipment. Normal depreciation on these and any other capital assets will be charged against income in determining net profits.

Proceeds on sale or disposal of the Keystone Mine or parts thereof or rights therein - excepting the capital equipment belonging exclusively to Jack Selby and William Dawson on purchase from W. D. Pierce, as above - shall be treated as net profit and divided in the net profit ratios:

Jack Selby	31-2/3%
William Dawson	31-2/3%
W. D. Pierce	31-2/3%
James Thwaites	5 %

Bank accounts, Records and O.M.E.Payments:

Payments received under O.M.E. contracts will be placed in a Bank account opened for that purpose and operable by the two signatures of W. D. Pierce and either Jack Selby or William Dawson. These funds will be used at the discretion of Jack Selby and William Dawson as reimbursement to them for the actual costs incurred in exploration and development by payment from this account into the Keystone Mine account.

A separate Bank account will be established known as the Keystone Mine account, operable by the two signatures of Jack Selby and William Dawson, who will maintain this account in sufficient funds to meet agreed exploration, mining, production, selling and organization costs, including advance participation of profits due to W. D. Pierce.

The check books and records adequately showing all transactions will be kept by James Thwaites, C.P.A., who will be entitled to charge a normal and reasonable fee for this professional service, including the preparation of periodic Mine financial statements as required. These records will be open to inspection by any party to this agreement, or to the U. S. Government and its agencies, or to representatives acting on behalf of any of these.

(signed)

..... Jack Selby

..... William Dawson

..... W. D. Pierce

..... James S. Thwaites

LIST OF EQUIPMENT TO BE CONTRIBUTED BY W. D. PIERCE

	Current Market Value
Trailer	$120.00
Stretcher and first-aid kit	50.00
Wright power saw	150.00
Slusher and bucket	600.00
Ingersoll-Rand Jackhammer and Jackleg	600.00
Chicago-pneumatic 105 air compressor	1,000.00
Mucking machine	500.00
Track - 600 feet and 3 cars	200.00
Light plant, 2kv	300.00
	3,520.00

JACK & GERALDINE SELBY

Balance Sheet at April 30, 1961

ASSETS

Current Assets

Cash: Bank of America N.S. & T.		87.95	
Morro Bay Checking			
" " Savings #1006		2,486.71	
" " " #1744		2,600.00	
Santa Maria		702.26	
			5,876.92
Investment: Insurance securities Trust			2,000.00
Prepayment I.R.S. 1960 Income Tax refund credited on 1961 Liability			1,000.00
TOTAL CURRENT ASSETS			8,876.92

Fixed Assets	Cost	Accumulated Deprec.	Net	
9th St. House	13,950.00	66.00	12,884.00	
1960 Dodge P-up	2,516.00	706.22	1,809.78	
Trailer	1,700.00			
" Additions	300.00	577.77	1,422.23	
1957 Pontiac	1,712.80	-	1,712.80	18,828.81
	20,178.80	1,349.99		
				27,705.73

LIABILITIES & CA PITAL

Current Liabilities, contract.		580.56
TOTAL CURRENT LIABIL-ITIES		580.56
Long Term Liabilities		
Contract on 1960 Dodge	1,403.02	
Less current portion	580.56	
		822.46
TOTAL LIABILITIES		1,403.02
CAPITAL: Jack and Geraldine Selby Net worth 4/30/61		26,302.71
		27,705.73

I have examined the Balance Sheet of Jack and Geraldine Selby as of April 30, 1961. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the Accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion the above Balance Sheet presents fairly the financial position of Jack and Geraldine Selby as of April 30, 1961, in conformity with generally accepted accounting principles.

JAMES S. THWAITES
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

1. c. 4)

WILLIAM DAWSON

Balance Sheet at April 30, 1961

Assets		
Current Assets		
Cash, Bank of America N.S.& T.Fresno	15,000.00	
Account receivable	7,000.00	
Notes receivable	1,000.00	23,000.00
Fixed Assets		
Furniture and tools at valuation	4,000.00	
Auto at cost, less depreciation	1,000.00	
1959 Ford Pick-up at cost	2,100.00	7,100.00
		30,100.00
Liabilities		NIL
Capital, net worth William Dawson 4/30/61		30,100.00

PREPARED WITHOUT AUDIT

MINING AGREEMENT

THIS AGREEMENT, made and entered into this first day of June, 1957, by and between PHELAN LAND & CATTLE COMPANY, a California corporation, hereinafter termed "Owner", and JACK SELBY, WILLIAM J. DAWSON, KARL PIERCE, FRANK PIERCE, and FERRE PIERCE, hereinafter termed "Operators".

W I T N E S S:

In consideration of the terms, covenants and conditions herein contained, each of which is hereby mutually agreed upon by the parties hereto, and the Operators agree that they shall be jointly and severally responsible and liable for compliance with all of the terms, covenants and conditions herein contained to be kept, paid or performed by the Operators, Owner does hereby agree with Operators that Operators may enter upon two (2) portions of Owners' ranch, each portion being described as follows:

PARCEL I. A portion of Section 23, Township 26 South, Range 8 East, M.D.B.& M., known as the KEYSTONE FIELD and

PARCEL II. That certain "Red Hill" being on a portion of Owner's ranch known as RED HILL, consisting of a portion of the north half of Section 36.

for the purpose of conducting quicksilver mining operations, and removing quicksilver therefrom.

This Agreement is subject to all of the following terms, covenants and conditions.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

I.

Operators' right of use of said property shall be limited to conducting quicksilver mining operations only, and shall have the right to remove only quicksilver from said property.

II.

This Agreement shall be for the term of five (5) years, commencing on the first day of June 1957, and terminating on the last day of May, 1962.

III.

Operators shall pay Owners as royalty on quicksilver produced ten per cent (10%) of the gross sums received from the sale of any and all quicksilver recovered. Owner may, at its option, to be exercised in writing from time to time through the term of this Agreement, receive its ten per cent (10%) royalty in kind rather than on the basis of the proceeds received from sales. If Owner should so elect to take its royalty in kind, the value of the royalty interest shall be computed as of the then market value.

It is the intention of the Agreement that a minimum royalty for each parcel shall be paid Owner over the course of each fiscal year of June 1 through May 31, of Twelve Hundred Dollars ($1,200.00), to fall due in advance at the rate of One Hundred Dollars per month, payment of the first month's minimum royalty to be paid upon the signing of this Agreement, receipt of which is hereby acknowledged.

An accounting of each month's production shall be delivered to Owner by the tenth day of the month following. Any

Jack Selby & William Denson
P. O. Box 993
Morro Bay, California

royalty payments falling due for the fiscal year's production to date, shall be paid monthly, by the tenth day of the month following. In the event that the actual royalties due for the fiscal year's operations to date are less than the minimum, royalty payment due, an additional sum of money shall thereupon be paid, sufficient to bring the total royalty payments up to an amount equal to the minimum royalty payment then due.

IV.

Operators shall, at their sole cost and expense, perform and provide all labor, machinery and materials necessary for the mining of quicksilver on said property.

V.

All all times during the continuance of this Agreement there shall be kept accurate and true books of account by Operators, to be used in common between said Parties, so that Owners may, at reasonable times during the term of this Agreement, have access thereto without interruption or hindrance, to audit said books as to the computation of royalties as hereinbefore provided. It is further particularly agreed that Operators shall furnish monthly photostatic copies of all governmental reports covering the production of quicksilver from the parcels subject to this agreement. Such copies of said governmental reports shall be furnished to Owner within ten (10) days after Operators prepared the originals.

VI.

All royalties, except as otherwise may herein be provided for, shall be payable, in lawful money of the United States of America, to Owner at Cambria, California. The

Jack Selby & Willian Dawson
P. O. Box 993
Morro Bay, California

place and manner of payment may be changed during the term of this Agreement by Owner giving written notice to Operators.

VII.

In the event Operators desire to abandon said parcels, or either of them, they may do so at any time during the term of this Agreement by giving sixty (60) days' written notice to Owner of their intentions to do so, and this Agreement shall terminate at the end of the sixty (60) days period, in whole if both parcels are abandoned, or, if only one parcel is abandoned, then solely as to the parcel abandoned; provided, however, Operators shall be liable for performing all of the terms, covenants and conditions to be kept, paid and performed by them under the terms of this Agreement, up to the date of the expiration of the said sixty (60) days.

VIII.

Operators shall pay all taxes and assessments of every kind and nature which may be levied against the improvements placed on said property by Operators, and further, any increase in taxes or assessments resulting from Operators' improvements, discovery of minerals, or other operations by them.

IX.

Operators shall install and maintain all gates, fences and cattle-guards as Owner may designate as being reasonably necessitated by Operators' operations. Operators shall keep all gates on said roads closed at all times, except when being used, and further, they shall maintain

all roads used by them on the property subject to this Agreement, or which may be used by them in crossing other lands of Owner in reaching said property. It is further agreed by the parties that Owner does not warrant the use of any rights-of-way in reaching the property the subject of this Agreement, but Operators shall have all rights which owner may have for ingress or egress in reaching said lands. Operators, at their own expense, shall build an access road between the Keystone Mine and upper bank land prior to any work on said Red Hill but not later than January 1, 1958, irrespective of any earlier termination hereof. Routing of said road shall be designated by Owner.

X.

Operators shall use such routes as may be designated by Owner to and from such mines as may be operated on the premises, except that once Operators have been instructed to use any particular route and have commenced improvement or maintenance thereof Owner May not thereafter arbitrarily instruct them to use another route if such change will be at an additional expense to Operators.

XI.

Operators are given the right to erect upon said lands such buildings and such equipment as may be necessary and proper for the efficient operation of said quicksilver mines upon said lands, it being understood that title to said buildings and equipment shall remain in Operators, subject to the conditions herein contained. Operators shall have a period of sixty (60) days from the time of expiration or sooner termination of this Agreement to remove such improvements as they have placed upon said

property, or upon the one parcel abandoned, if that is the case, and in the event any of said improvements has not been removed within the period of sixty (60) days, such improvements shall become the sole property of Owner.

XII.

Operators shall, at their own cost and expense, obtain all licences and permits required by reason of the operations herein provided for. Operators shall pay for all utilities used on said premises and all other charges and expenses incurred by them in the course of their operations on said premises.

XIII.

Operators shall keep said premises in a clean condition, free from rubbish, garbage and like accumulations, and shall, at all times, comply with all state, Federal and local rules and regulations with reference to the operation and occupation of said premises and conduct of mining operations thereon, and shall at all times conduct said operations in a minerlike manner.

XIV.

Owner shall have the right and privilege at all reasonable times of entering upon said premises for purposes of inspecting the same and of determining whether the terms covenants and conditions of this Agreement are being kept and performed by the Operators, and for posting notices of non-responsibility.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

XV.

Operators shall carry adequate public liability and property damage insurance upon their operations (not less than $25 - $50,000.00) with a responsible insurance carrier, protecting the Owner from any inuries or claims for injuries which might be made by any person as a result of Operators' operations. Operators shall also protect the said Owner from any attorney's fees or costs which may be incurred by them in the defense of any such action. A certificate of such insurance shall be furnished to the Owner within thirty (3) days after the signing of this Agreement. Further, Operators shall indemnify Owner against any expense, loss or liability paid, suffered or incurred as a result of any breach by the Operators, Operators' Agents, servants, employees, visitors, or licensees, of any covenant or condition of this Agreement, or as a result of Operators' use or occupancy of said premises, or the carelessness, negligence or improper conduct of the Operators, Operators' agents, employees, patrons, visitors or licensees.

XVI.

The failure of Owner to terminate this Agreement for the violation of any of its terms, covenants or conditions on the part of Operators to be performed, kept or paid, or to enforce any remedy provided for herein or by law, shall not be construed as a waiver of any of its rights for any subsequent or continuing violation thereof.

XVII.

Time is made the essence of this Agreement.

Jack Selby & William Dawson
P.O. Box 993
Morro Bay, California

XVIII.

All notices required to be served for any purpose on any party hereto may be served by mail on Owner by addressing the same to PHELAN LAND & CATTLE COMPANY, Cambria, California, and upon Operators by addressing the same to KARL PIERCE, Box 353, Morro Bay, California.

XIX.

In the event that Operators have fully observed and performed the terms, covenants and conditions hereof up to the date of the expiration of the term hereof, Operators shall have and they are hereby given the right and option to renew this Agreement for the further period of five (5) years succeeding the date of the expiration of the term hereof, on the same terms and conditions as herein stated; provided, however, that Operators shall give notice to Owners in writing of their intentions to exercise the option to renew herein granted not less than two (2) nor more than four (4) months prior to the date of the expiration of the term hereof, and such notice when so given shall be binding upon all of the parties hereto, and if not so given, Owner shall be released from all obligations to renew said Agreement. In the event that Operators have fully observed and performed the terms, covenants and conditions hereof up to the date of the expiration of the term hereof, and the term of the renewal period, as hereinabove provided, Operators shall have, and they are hereby given, the right and option to renew this Agreement for a further period of five (5) years succeeding the date of the expiration of the second five (5) year period, on the same terms and conditions as herein provided; provided, however, that operators shall give notice to Owner in writing of their intention to exercise the option to renew herein granted not less than two (2) nor more than four (4) months prior to the date of the expiration of the first extended term

Jack Selby & William Dawson

Terms Rec. Hollands

hereof, and such notice when so given shall be binding upon all of the parties hereto, and if not so given, Owner shall be released from all obligations to renew said Agreement.

XX.

This Agreement is made in duplicate and each copy hereof is hereby made an original.

XXI.

This Agreement shall not be assignable in whole or in part, either voluntarily or by operation of law or otherwise, nor shall the premises, the subject of this Agreement, be subleased in whole or in part without the written consent of Owner first had and obtained. In the event of bankruptcy of Operators, or any of them, or their successors in interest, this Agreement shall not become an asset in bankruptcy.

XXII.

In the event Operators should form a corporation, ownership of which should substantially vest in Operators for the purpose of conducting the operations referred to in this Agreement, the said Operators may assign this Agreement to the said corporation without Owner's consent, provided, however, that Operators shall remain primarily liable and responsible for the compliance of all the terms, covenants and conditions of this Agreement to be kept, paid or performed by the Operators.

XXIII.

The Owner hereby reserves the surface and subsurface rights in connection with the use of said land insofar as the use

XXIII.contd.

said land insofar as the use thereof does not interfere with the rights herein granted to Operators. In this connection, the Operators shall construct and maintain adequate fences around such portions of the property then being mined so as to protect it from any cattle of Owner's, or its tenants, which may be on said property. In the event that it is determined the property is suitable for production of commercial quantities of oil it is understood that Operators will reasonably co-operate toward allowing oil production which does not interfere with their rights hereunder; or if there is any interference therewith, then they shall endeavor to work out a proper and reasonable agreement by which they shall be compensated by the oil lessee for any damages they may suffer.

XXIV.

Operators shall do all reasonable or necessary acts to prevent trespass and fire, and shall at all times conform strictly with all county, state and federal regulations relating thereto, shall at no time commit any unlawful act upon said premises or permit any person to do so. In this connection, it is agreed that Operators will use reasonable methods to prevent other persons from hunting or fishing upon said premises. Operators particularly agree that they shall neither hunt nor fish upon said premises, and that any breach of this provision of this Agreement shall be a proper basis for Owner to expel such individual operator from the property and such individual shall not thereafter go onto the said premises.

XXV.

In the event it becomes necessary for Owner to commence,

any action or proceeding in law or in equity to collect any payment of royalties to fall due herein, or to enforce any of the other terms, covenants or conditions hereof, or to declare a forfeiture of this Agreement, or to enforce any of the rights of Owner, the Operators agree to pay all costs of such suit, action or proceedings, including a reasonable amount as and for attorney's fees, provided, however that Owner prevails in any such suit, action or proceeding.

XXVI.

Each of the terms, covenants and conditions of this Agreement is mutual and dependent, and breach of any of the said terms, covenants or conditions, and failure to begin remedying of said breach within ten (10) days after the personal service of written notice by Owner upon the Operators, or anyone of them, which notice shall designate the particular complaint for which correction is demanded, shall constitute grounds for the termination, cancellation or forfeiture of this Agreement. In lieu of said personal service of notice Owner may serve said notice by certified mail with return receipts signed by any one of the Operators. In the event of breach of any of the said terms, covenants or conditions, and failure to begin reasonable action to remedy said breach within said ten (10) days after said notice, Owner may terminate this Agreement by recording a notice in the Office of the County Recorder of San Luis Obispo County, stating that this Agreement has been terminated, appending thereto a true copy of the affidavit of personal service of said notice or of the return receipt aforementioned. In addition, one copy of said notice shall be posted on the premises, the subject of this Agreement. In the event operators claim any rights under this Agreement, they shall at any

time after the service of notice aforesaid but not later than ten (10) days after the recording of the said notice by Owner, record a notice in the office of the County Recorder of said County, stating that they claim rights under this Agreement. In the event Operators should fail to file said notice, all rights which they might have by virtue of this Agreement shall be terminated. The remedies provided for in this paragraph are in addition to any other rights provided Owner in this Agreement, at law, equity, or otherwise.

XXVII.

Operators' activities will be done in a minerlike manner, it being understood in the case of the exploratory work on the Keystone Field that drilling, rather than bulldozer excavation, shall be used unless otherwise consented to in writing by Owner, it being understood that drilling sites must necessarily be cleared and levelled through use of a bulldozer. Operators will use all reasonable methods to restore such drilling or mining sites, at the completion of their use, restoring cattle trails across said sites when possible to do so, or providing an alternate route if the original route cannot be restored. In no event shall Operators leave any portion of said property so that it will be a hazard for livestock usages. Fencing or filling shall be done wherever appropriate at Owner's option. At the termination hereof Operators shall give Owner a quitclaim deed of all rights hereunder.

XXVIII.

Operators' use of water obtained from said premises shall be subject to Owner's approval as to source used and

amounts taken, taking into full consideration the proper and full utilization of said premises for grazing purpose.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands this first day of June, 1957.

PHELAN LAND & CATTLE CO.

By _____

Said Owner.

_____

Jack Selby.

_____

William J. Dawson

_____

Karl Pierce

_____

Frank Pierce

_____

Ferre Pierce

Said Operators.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

State of California)
County of San Luis Obispo) S.S.

On _____ 1957, before me the undersigned, a Notary Public in and for said County and State, personally appeared _____, known to me to be the _____ of the corporation that executed the within instrument, known to me to be the person who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

WITNESS my hand and official seal.

(seal)

_____
Notary Public in and for said County and State.

State of California)
County of San Luis Obispo) S.S.

On _____ 1957, before me, the undersigned a Notary Public in and for said County and State, personally appeared _____ and _____ known to me to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same.

WITNESS my hand and official seal.

(seal)

_____
Notary Public in and for said County and State.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

C O P Y

EXHIBIT B

SUPPLEMENT TO MINING AGREEMENT

THE parties to that certain Mining Agreement dated June 1, 1957, by and between PHELAN LAND & CATTLE COMPANY, a California corporation, therein termed the "Owner", and JACK SELBY, WILLIAM J. DAWSON, KARL PIERCE, FRANK PIERCE and FEREE PIERCE, therein termed the "Operators", in consideration of the additional covenants herein made mutually agree to the following:

1. The joint venture between the Operators, being dissolved, they shall separate their interests and relationships into the following grouping: Jack Selby and William J. Dawson; Karl Pierce and Frank Pierce and Feree Pierce.

2. Selby and Dawson shall take the full rights and obligations in connection with Parcel 1, to wit, the "Keystone Field".

3. The P ierce brothers shall take the full rights and obligations in connection with Parcel 2, to wit, the "Red Hill" portion.

4. All five of said "Operators" shall remain individually responsible for the building of the road designated in paragraph IX of the Agreement, the said persons to work out between themselves the manner and by whom s aid work will actually be done.

5. The Pierce brothers shall not do any operation of any kind in the open grazing land on Red Hill which may interfere with the farming or ranch use thereof, except with the prior permission of the Owner.

6. Paragraph XVIII of the Agreement is enlarged to provide that for purposes of the service of notices the address of Selby and Dawson is as follows: Selby and Dawson, Box 993, Morro Bay, Calif.

7. In all other respects the agreement remains the same, except that it shall now be deemed to be two agreements, one pertaining to Parcel 1 and the other pertaining to Parcel 2, with the parties designated responsible only for the parcel they take under this separate agreement. The Owner hereby releases the parties from liability as to the parcel which they do not take, as the case may be, except as expressly hereinabove provided as to the road

construction.

Dated this 24th day of July, 1957.

PHELAN LAND & CATTLE COMPANY
BY Ernest Vollmer, Jr., President.
Said Owner.

Jack Selby
William J. Dawson
Operators as to Parcel 1.

Karl Pierce
Frank Pierce
Feree Pierce.
Operators as to Parcel 2.

State of California)
) SS.
County of San Luis Obispo)

On July 24 1957, before me the undersigned, a Notary Public in and for said County and State, personally appeared Ernest Vollmer Jr., known to me to be the President of the Corporation that executed the within instrument, known to me to be the person who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

WITNESS my hand and official seal. Sgd. A.V.Muller, Notary Public in and for the said County and State.

(Seal)

State of California)SS
County of San Luis Obispo)

On August 4, 1957, before me the undersigned, a Notary Public in and for said County and State, personally appeared Jack Selby and William J. Dawson known to me to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same.

WITNESS my hand and official seal.

(sgd) Lorraine Garratt
Notary Public in and for said
County and State

(Seal)

State of California)SS
County of San Luis Obispo)

On 6th day of August 1957, before,me, the undersigned, a Notary Public in and for said County and State, personally appeared Karl Pierce, Frank Pierce and Feree Pierce, known to me to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same. WITNESS my hand and official seal. (sgd) Wickson R. Woolpert, Notary Public in & for said
(seal)

2.c.1)

C
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PHELAN LAND & CATTLE COMPANY
Cambria, Calif.

May 23, 1961

Mr. William J. Dawson
5496 Mayfair Blvd.
Fresno 3, California

Dear Mr. Dawson:

This is in reply to your letter of May 15th which I received on May 19th.

Naturally, I am interested in seeing you do everything you can to bring the Keystone Mine into production and, as a consequence, I am willing to do anything reasonable to help you. The lien and subordination agreement which you have asked me to execute in favor of the United States of America I consider completely unreasonable, however, and I would not consider signing it under any circumstances. It is not my intention to become responsible for anything you may or may not do, and I will do nothing that will cloud my title.

If you will let me know to whom I should direct a letter setting forth my refusal and the reasons therefor, I would be happy to see that it is written.

With kindest personal regards, I am

Very truly yours

(signed)

Ernest Vollmer, Jr., President
Phelan Land & Cattle Company

EV/ae

C
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P
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W. D. Pierce Construction Co.
Excavating. Grading. Paving.

Rt. 1, Box 1556, Hwy 1, Morro Bay, California.

July 18, 1961.

James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, Calif.

Dear Sir:

I wish to submit the following bid for coring at the Keystone Mine:

<u>Unit Price</u>

$3.00	Drilling	without core up to 300 ft.
7.00	"	with core up to 300 ft.
12.00	"	with core from 300 ft. to 1,000 ft.
22.00	drilling	with core from 300 ft. to 1,000 ft. (very hard rock drilling conditions).

Sincerely Yours

(signed) Walter D. Pierce

W. D. Pierce Construction Co.
Rt. 1, Box 1556, Hwy 1,
Morro Bay, California

Adj. costs - 1st 9 holes
(a) allowing non-coring = $6.22/ft
(b) All coring = 9.79/ft

7.a)

COPY

OIL WELLS, TEST HOLES, WATER WELLS, PUMPS, PIPE, SUPPLIES

JESS C. BARNES DRILLING CO.
4280 West Coast Hi-Way.
Santa Barbara, Calif.

July 16, 1961.

Jess C. Barnes
Santa Barbara, Calif.
Woodland 7-2244.

Dale Taylor
Arroyo Grande Div.
MU.9-4876

Mr. W. D. Pierce
1556 Hiway #1
Morro Bay, Calif.

Dear Sir:

Please accept this as a bid which you requested by phone.

Price for drilling 6" test holes to three hundred feet; $5.00 per foot. Below three hundred feet; $3.50 per ft.

Price for coring to 300'; $7.25. Below 300' to 900' $15.00.

Any hard silica carbonates requiring diamond heads; $25.00 per ft.

Yours truly

(signed)

Dale Taylor

Av. costs. 1st 9 holes
(a) Allowing non-coring = 6.81/ft
(b) Allowing = 9.54/ft

C
O
P
Y

7.a)

R. D. YAGER, Drilling Contractor STATE LICENSE NO.109028

Shot Holes, Core Drilling, Sand Drains, Water Wells Gravel Packed

Telephone A.G. 5633
1062 Maple Street
Arroyo Grande, Calif.

July 17, 1961

Mr. Jasper S. Thwaites
515 Orchard Street
Arroyo Grande, Calif.

Dear Sir:

Below are the prices for drilling and coring at the Keystone Mine that you ask for.

Drilling 5 5/8" to 300': $3.00 per ft.
Drilling 5 5/8" to 900': $3.50 per ft.

Coring with 5 5/8" bit to 300' $7.50 per ft.
Coring with 5 5/8" bit to 900' $16.00 per ft.

For coring any diamond drilling in extra hard rock: $25.00 per ft.

Very truly yours

(signed)

Robert D. Yager

Ad. cost at 9 holes
(a) Allowing non-coring = $6.95/ft
(b) All coring = $9.84/ft

COPY

JOHN GARDNER
Well Drilling Contractor
13655 San Antonio Road Telephone 42J2
Atascadero, Calif.

Date: July 17, 1961

Customer: W. D. Pierce
Address: Morro Bay.

Bid prices for drilling test hole at Keystone Mine:

Drill.	0 ft. to 300 ft.	3.25 ft.
Core	" " "	7.50 ft.
Drill	300 ft to 1,000 ft.	20.00 "
Core	" " "	35.00 "

Signed John Gardner.

Av. cost 1st 300 ft hole
(a) Allowing 30% casing = 8.72 /ft
(b) All casing = 11.45 /ft

COPY

ESTIMATE

Phelps Pump and Equipment Co.
400 East College Ave. MI2-1678
North Las Vegas, Nevada

7/20/61

James Thwaites CPA
Arroyo Grande, Calif.

Job Location: CAMERIA, CALIF
Keystone Mine.

Our estimate for the core drilling as verbally described would be as follows:

1st 300' (without core) drilling only ..... 4.00 ft.

1st 300' coring .....12.00 ft.

Beyond depth of 300' coring .....24.00 ft.

All drilling of hard rock formation or loss of circulation would automatically cause us to operate at the hourly rate of $25.00 hour plus all materials used.

All travel would be charged at the rate of $15.00 hour.

At cost for 9 holes —
(a) Allowing non coring $8.58/ft
(b) Allowing $13.72/ft

Plus $25.00/hr for hard drilling or loss of circulation, and $15.00/hr travel time

C
O
P
Y

Howard H. Knighton
Core Drilling Contractor
615 California Ave.
Boulder City, Nevada

July 19, 1961.

Mr. James Thwaites
Certified Public Accountant
Arroyo Grande, California.

Dear Mr. Thwaites:

The following are anticipated costs for drilling the Keystone Mining Property.

NX hole (3" O.D. - 2" O.D. Core) @3.50 per inch diameter per foot to 300 feet. 10.50

NX hole (3" O.D.) @ $2.50 per inch diameter per foot non-coring to 300 feet. 7.50

NX hole (3" O.D. - 2" O.D. Core) @ $4.50 per inch diameter per foot coring below 300 feet. 13.50

NX hole (3" O.D.) @ $3.50 per inch diameter per foot non-coring below 300 feet. 10.50

All materials are to be furnished by your company except the drilling equipment and the labor to run it.

Yours truly

(signed) Howard H. Knight

Average [illegible] holes -
(a) [illegible] = 19.00 [illegible]
(b) [illegible] = [illegible]

COPY

H. F. Tarbush
P. O. Box 123
Coarsegold, Calif.

July 5, 1961

William J. Dawson
3496 Mayfair Blvd.
Fresno 3, California

Dear Sir:

In regards to our previous conversations and trip to the Keystone Mine in conjunction with a drilling program, which you are endeavoring to undertake for a more complete exploration of the Keystone property, I am not interested in placing a bid for core drilling, but will be available for any advice which you might need. I have retired after fifty years of experience in drilling and contract drilling on mining properties for the government and large mining companies all over the world.

From all appearances, I feel that you are justified in further exploration of the Keystone property. After exploring the Adit at the old workings with you, I believe that you have a vast body of ore, which, with the proper drilling and exploring, you will have an excellent chance of opening up a very good and vast body or bodies of ore.

From my experience in drilling and coring ground that is very faulted and has Chert beds and fouldis, etc., it is going to be very hard drilling in places to keep up the circulation of water and to get good cores. Also, in most places it will be very slow and hard on the Diamond bits, for the Chert is very hard and shows a lot of fractures.

It would be very hard to give an accurate drilling cost, but from all indications, the price per foot will be more than double for drilling over ordinary or conventional ground.

Sincerely

(sgd) H. F. Tarbush

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

OFFICIAL COPY
O. M. E.
RECEIVED
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Memorandum June 27, 1967

To: Chief, Office of Minerals Exploration
Washington, D. C.

From: Field Officer
Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed is a summary-type Final Field Report on the subject contract.

H. K. Stager

Enclosure

FINAL FIELD REPORT - OME EXPLORATION PROJECT

By H. K. Stager, Field Officer, Region II

June 27, 1967

1. OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Operator: Mr. H. A. Savage
San Simeon Keystone, Inc.
915 Helm Bldg.
Fresno, California 93721

Property: Consists of deeded agricultural land with mineral rights described as the S½NE¼, SE¼NW¼, and W½SE¼, sec. 23, T. 26 S., R. 8 E., MDBM, San Luis Obispo County, Calif., total area 200 acres, more or less, and commonly known as the "Keystone Field." A map showing the area covered was attached to the contract.

Ownership: The Operator controlled the land under the terms of a Mining Agreement, dated June 1, 1957, as amended by a Supplemental Mining Agreement, dated July 24, 1957, from the owner Phelan Land & Cattle Co., a California corporation, whose address is P.O. Box 317, Cambria, California. In lieu of Lien and Subordination Agreements the Operator furnished a Performance Bond, dated April 19, 1962, in the amount of $26,365.00 with Charles E. Ogle, 770 Fifth Street, Morro Bay, Calif. and Oliver Edwin Lucas, also known as Oliver Edwin "Ted" Lucas, P.O. Box 1073, Morro Bay, Calif., as individual sureties.

2. Purpose of Project: The purpose of the project was to explore for ores of mercury occurring as cinnabar disseminated in a sandstone lens by means of drilling from surface sites and by cross-cutting and drifting in the Keystone Mine property.

3. Contract: Dated April 19, 1962, for a term of 12 months.
Original contract amount - $52,730.00
Government participation - 50 percent, $26,365.00

Amendments

Assignment of Contract, dated February 8, 1963, and effective December 17, 1962, from Jack Selby and William J. Dawson, a partnership, to San Simeon Keystone, Inc., a California corporation.

3. Contract - Contd

Amendments - Contd

No. 1 - June 7, 1963, to change the estimated cost of the work to $51,712.00 and the Government contribution to $25,856.00; allowed the use of noncoring bits in situations approved by the Government; allowed repairing of existing access road instead of a new road; and changed the bulldozing from Actual Costs to Fixed Unit Costs.

No. 2 - August 22, 1963, changed the time for completion of the work to 24 months; extended the time for royalty payments to 11 years; changed the estimated cost of the work to $45,388.50 and the Government contribution to $22,694.25; changed the purpose of the project to allow drilling from underground sites; specified BX-size coring bits for underground holes; limited surface drilling to 1,357 feet; and allowed 800 feet of underground drilling.

No. 3 - June 9, 1964, changed the time for completion of the work to 36 months and the time for royalty payments to 12 years.

No. 4 - September 18, 1964, changed Amendment No. 2 to allow AX-size core bits to finish underground holes, if necessary.

Termination Agreement - May 14, 1965, to terminate the contract effective March 17, 1965.

4. Project Work: Started - January 1963. Terminated March 17, 1965.

Cost Items (Stage I) (as amended)	Authorized Units	Authorized Rate	Authorized Amount	Completed Units	Completed Amount
Surface drilling	1,357 ft	$1.50/ft	$2,035.50	1,357	$2,035.50
Underground drilling	800 "	----	5,400.00		
NX core size		6.75/ft		27 ft	182.25
BX core size		5.00/ft		709 "	3,545.00
AX core size		4.00/ft		64 "	256.00
Total				800 ft	3,983.25
Reaming and casing	300 ft	$3.50/ft	1,050.00	11	20.90
Transportation of drill and equipment to and from job			150.00		150.00
Pipe for road drains, 10 pieces 15' long			225.00	3	79.56
Core boxes	200	80¢/ea	160.00	0	0
Assaying for mercury	200	$4/spl	800.00	0	0

4. Project Work - Contd

Cost Items (Stage I) (as amended)	Authorized Units	Authorized Rate	Authorized Amount	Completed Units	Completed Amount
Bulldozing of roads	50 hrs	$14/hr	$ 700.00	38	$ 532.00
Bulldozing, benches, drill sites and dam	62 hrs	$14/hr	868.00	45	630.00
Clean spring, construct dam and water system	Job	$175.00	175.00	Job	175.00
Incidental allowance	2,157 ft	84¢/ft	1,812.00	2,157 ft	1,811.88
Total amounts -					
Stage I			$13,375.00		$9,418.09
Stage II			31,965.00		0
Total for Project			$45,340.00		$9,418.09
Government participation at 50 percent			$22,670.00		$4,709.05
Paid to Operator					$4,709.05

The Government retained no equity in any of the equipment or supplies used.

Effectiveness of the work - The most favorable target areas were adequately explored.

Efficiency of Operation - The project work was done in a slow and inefficient manner and lacked proper supervision.

5. Reports:

Operator's Final Report - A Final Report by the Operator was waived, on the recommendation of the Field Officer dated July 27, 1965, on the basis that no additional worthwhile information would be added to that already on record.

Cost Review - A Report of Review was issued by the Office of the Chief Auditor in October 1965.

Final Audit - A final audit was not requested inasmuch as no additional vouchers were submitted or paid after the Cost Review.

Royalty Review - There was no ore produced during the period of the contract and no royalty was due the Government.

6. Project Results:

Discoveries - There were no discoveries of significantly mineralized material. Maps and drill logs are attached to the monthly vouchers and reports. Only traces of cinnabar were intersected by the drill holes. No ore reserves were discovered or estimated as a result of the work. Future production is not feasible and future development and exploration are not warranted. The Operator has abandoned the property and lease.

Certification - The OME work did not result in a discovery of minable ore and certification was not recommended.

The Operator was notified on January 13, 1966, that the Government retained no claim or lien against the property and the Performance Bond was released.

Production - There was no ore mined or stockpiled during the period of the contract.

Royalties - There was no ore sold and no royalties were paid or due the Government.

7. Geologic Summary: The small pods of mercury ore that have been mined occurred in a sandstone lens above two intersecting silica-carbonate veins. About 60 flasks of mercury were produced in 1875 from a 300-foot adit and a 50-foot winze. An additional 7 flasks were produced in the period 1954-56. There has been no recorded production since 1956.

OFFICIAL COPY
O. M. E.
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Office of Minerals Exploration
345 Middlefield Road
Menlo Park, California 94025

June 21, 1966

Mr. G. E. Eberhardt
87 10th Street
Cayucos, California 93430

Dear Mr. Eberhardt:

In reply to your telephone request of this date, I have searched the files on the Keystone Mine contract (OME-6168) and find mention made of a geologic report by you, dated July 12, 1961, and included with the application, but cannot find a copy of the report.

The Keystone contract was executed in November 1962 and there was probably a news release to the press at that time, although I am unable to find a copy of the release in our files to send to you.

Sincerely yours,

H. K. Stager
Field Officer
OME, Region II

cc: D RF
Chief, OME, WDC
ACG RF
MP Misc. Corres.
HKStager:mlb

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	Selfridge	120
1/13	Johnson	110
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JAN 13 1966

Mr. Charles E. Ogle
770 Fifth Street
Morro Bay, California

Re: OME-6168 (Marcury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Ogle:

Enclosed is a copy of a self-explanatory letter of today to Mr. H. A. Savage.

This correspondence relates to the Performance Bond executed by you on February 8, 1963, under the Office of Minerals Exploration program.

Sincerely yours,

(Signed) FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

Enclosure

cc: Director's Reading File
Division File
Economic Geology File
OME File
OME Reading File
Region II
Branch of Budget and Finance
Mr. Selfridge
120M
GCSelfridge/mm (1/13/66)

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	Selfridge	120
1/13	Johnson	110
		220

Mr. Oliver E. Lucas
P. O. Box 1073
Morro Bay, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Lucas:

Enclosed is a copy of a self-explanatory letter of today to Mr. H. A. Savage.

This correspondence relates to the Performance Bond executed by you on February 8, 1963, under the Office of Minerals Exploration program.

Sincerely yours,

(Signed) FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

Enclosure

cc: Director's Reading File
Division File
Economic Geology File
OME File
OME Reading File
Region II
Branch of Budget and Finance
Mr. Selfridge
120M
GCSelfridge/mm (1/13/66)

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	Selfridge	120
1/13	Johnson	110
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Messrs. Jack Selby & William J. Dawson
P. O. Box 993
Morro Bay, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Gentlemen:

Enclosed is a copy of a self-explanatory letter of today to Mr. H. A. Savage.

This correspondence relates to the assignment of the subject contract effective December 17, 1962.

Sincerely yours,

(signed) FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

Enclosure

cc: Director's Reading File
Division File
Economic Geology File
OME File
OME Reading File
Branch of Budget and Finance
Region II
Mr. Selfridge
120M

GCSelfridge/mm (1/13/66)

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

December 1, 1965

OFFICIAL
COPY
C. M. F.
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Mr. H. A. Savage
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Dear Mr. Savage:

Enclosed herewith for your files is a copy of the Report of Review dated October 1965, with regard to the OME contract, prepared by Mr. Clarence E. Fisher, Auditor-in-charge of OME.

The Field Officer, OME, Region II, concurs with the facts as stated in this Report of Review.

Sincerely yours,

Paul V. Fillo
Field Officer
OME, Region II

Enclosure
cc:
Chief, OME, Wash., D. C.
Administrative Officer, Office of Economic Geology

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

December 1, 1965

Memorandum

To : Administrative Officer, Office of Economic Geology, Geological Survey, U. S. Department of the Interior, Washington, D. C.

From : Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Enclosed is a copy of a Report of Review covering the above subject contract. This office concurs with the facts as stated in this Report of Review.

Paul V. Fillo

Enclosure

cc:
Chief, Office of Minerals Exploration.

Form 7
(3)

OFFICIAL FILE COPY

Date	Surname	Code
	Selfridge	120
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Memorandum

To: Field Officer, Region II

From: Chief, Office of Minerals Exploration

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Pursuant to your request of July 27, 1965, enclosed are three copies of a Report of Review covering the subject contract.

If you concur in the facts stated in this Report of Review, please make the distribution authorized by section 4 of OME Circular 2 dated February 17, 1960, with the exception that the copy formerly sent to the Fiscal Section should now be sent to the Branch of Budget and Finance, through:

Administrative Officer - Office of Economic Geology
Room 4232, General Services Building
U. S. Geological Survey
Department of the Interior
Washington, D. C. 20242

As evidence of your concurrence, a copy of your letter transmitting the Operator's copy of the Report of Review should be furnished to this office. If for any reason you do not concur, all copies should be returned with your comments.

(signed) FRANK E. JOHNSON

Frank E. Johnson

Enclosures
GCSelfridge/mm (11/23/65)
cc: Director's Reading File
Division File
Economic Geology File
Branch of Budget & Finance OME File
Administrative Officer, Econ. Geol.
OME Reading File
Mr. Selfridge (2)

23263

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

OFFICE OF THE DIRECTOR

NOV 10 1965

OFFICIAL COPY
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NOV 17 1965

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	~~120~~

Memorandum

To: Chief Geologist
Through: ~~Assistant Director~~

From: Chief Auditor

Subject: Internal Audit of Docket OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee, Keystone Mine
San Luis Obispo County, California, Contract 2157

In accordance with the request of the Chief, Office of Minerals Exploration, dated October 6, 1965, we reviewed the subject docket. Four copies of the report of our review are enclosed for your distribution. Because of the requirement for audit reports to be filed in case dockets, the Office of Minerals Exploration does not want their three copies in report covers. It is our understanding that the Administrative Officer for the Office of Economic Geology desires a copy of the report. The covered copy is to satisfy this requirement. If you desire additional copies, we shall be happy to supply them.

William T. McClelland

William T. McClelland

Enclosure

W. B. Roberts
NOV 1965
NOTED

NOTED
NOV 15 1965
M. R. Klepper
Assoc. Chief Geologist

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3)

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Date	Surname	Code
10/6	Selfridge	120
"	Johnson	110
		220
		120M

OCT 6 1965

Memorandum

To: Chief Auditor, U. S. Geological Survey

From: Chief, Office of Minerals Exploration

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Pursuant to the request of July 27, 1965, by the Field Officer, OME Region II, copy enclosed, will you please furnish us with a Report of Review on the subject docket. In addition to the usual number of copies made, please make a copy for Miss Lois P. Williams, Administrative Officer, Geologic Division.

(signed) FRANK E. JOHNSON
Frank E. Johnson

Enclosure

GCSelfridge/gla (10-6-65)
cc to: Director's Reading File
Division File
Economic Geology File
Lois P. Williams, Rm. 4236, GS Bldg., w/cy R-II memo 7/27/65
OME File
OME Reading File
Mr. Selfridge

23263

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

July 27, 1965

OFFICIAL COPY
O. M. E.
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INITIALS | CODE
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Memorandum

To : Chief, Office of Minerals Exploration, Washington, D. C.

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Work under the contract was terminated effective March 17, 1965, by an agreement dated May 14, 1965.

The number of units of work completed by the operator and accepted by the Acting Field Officer as conforming to contract specifications were:

Bulldozing road	38 hrs.
Bulldozing dam, etc.	45 hrs.
Non core drilling	1,357 ft.
Underground diamond core drilling	800 ft.
Transportation of drill & equipment	1 job

The final engineering and geological report from the operator is waived since nothing was added to the information which this office already has. A Report of Review in lieu of a final audit is in order and requested.

Paul V. Fillo

Paul V. Fillo

cc:
Chief, OME, Wash., D. C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

July 27, 1965

OFFICIAL COPY
O. M. E.
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Memorandum

To : Chief, Office of Minerals Exploration, Washington, D. C.

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

In reply to your letter of July 6, 1965 of the above subject contract, it is recommended that the Operator's final report be waived since nothing was added to the information which this office already has. Further exploration work on this sparse showing of disseminated cinnabar (in sandstone) would not be promising and since no commercial discovery was made on the project, a certification of discovery will not be recommended.

Paul V. Fillo

Paul V. Fillo

cc:
Chief, OME, Wash., D. C.

REPORT WAIVED

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
7/6	Selfridge	130
"	Johnson	110
7/6	Call	220
		120M

JUL 6 1965

Memorandum

To: Acting Field Officer, Region II

From: Chief, Office of Minerals Exploration

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

In reference to Mr. Savage's letter of June 9, 1965, to you and the executed Termination Agreement, it is suggested that you recommend that the Operator's final report be waived if you believe that nothing will be added to the information which you already have. In addition, for a matter of record, we should have your recommendation regarding certification even though we know that the project was entirely unsuccessful.

(signed) FRANK E. JOHNSON (gla)

Frank E. Johnson

GCSelfridge/gla (7-6-65)
cc to: Director's Reading File
Division File
Economic Geology File
OME File
OME Reading File
George C. Selfridge (2)

23263

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

June 28, 1965

OFFICIAL COPY
O. M. E.
RECEIVED
JUN 30 1965

INITIALS	CODE
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	120

Memorandum

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed are the original and two copies of the Termination Agreement of the above subject contract, properly executed by the operator. The remaining copies of the Termination Agreement have been distributed in the usual manner.

Also enclosed are copies of the operator's letter, C. P. A. report and his geologist's report for your information.

Paul V. Fillo

Paul V. Fillo

Enclosures

cc:
Chief, Div. of Field Operations, OME, Wash., D. C.

SAVAGE & SHEPARD
ATTORNEYS AT LAW
BIG HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE ADAMS 8-4636

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

June 9, 1965

Mr Paul Fillo
Bureau of Mines
Office of Minerals Exploration
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California
Box 36012

Dear Sir: Re: OME-6168 (Mercury)
San Simeon Keystone, Inc
Contract No. 2157

Just last Thursday I was released from the doctor's care and I am now back at the office trying to catch up on some of my back matters, one of the first being writing you regarding the cessation of activities of SAN SIMEON KEYSTONE, INC. on the Keystone structure.

I have heretofore furnished you with the expenditures made by SAN SIMEON KEYSTONE, INC. in connection with our core drilling and there is enclosed herewith a C.P.A.'s report as to the amount of these expenditures. The only payment that we did receive was $2400.00 as a participation of OME under our OME contract. Your records will show (which were sent in quadruplicate) that we did a great deal more core drilling than we were entitled to have OME participation in, beyond the amount of our contract, and the total figures given above include this additional drilling. You have already been advised in connection with the core drilling, but in order that Washington can be advised, we had secured by contract employment the services of the two head geologists of New Idria and their Vice President, M. C. Richardson, an outstanding mining engineer and geologist, and Mr. Hyde Lewis, who is President and General Manager of New Idria. With this superlative guidance, which we followed implicitly, we got absolutely nothing except a tremendous amount of cores which were all analyzed by these outstanding geologists. Their analyses have been forwarded to you complete so I need not say any more in this regard.

Apparently the Government wants some additional data to justify the termination of the contract without payment. After we had completed and ceased to core drill underground by utilizing said geological and scientific methods, we continued to employ Messrs. Max D. Ary and Mark L. Ward, the two head geologists of New Idria, to locate further up on the structure where they believed there was a reasonable prospect of securing some commercial ore. They made two trips and put their recommendations in writing and located four locations

for surface drilling. Four copies of their report are enclosed with this letter. We employed a very fine core driller and a man who had spent years in drilling and core drilling on the surface, whose name is W. D. Pierce, and we drilled three holes at the locations as spotted and staked on the ground by Geologists Ary and Ward. We found nothing, even though we had to pay excess amounts due to the hard serpentine formation. Only twice did we encounter even the slightest color. Our total expenditures in this regard, after all underground core drilling had been stopped, amounted to $28,890.00, as shown by our C.P.A.'s report.

Surely all this data ought to satisfy the Government so that the OME contract can be written off as a failure and I think it was induced by false and totally unjustified statements to your predecessor setting forth some ten million dollars worth of ore divided into "high", "medium" and "low" grades. This report you have as it was filed with your department prior to your taking the responsibility that you now have.

I have heretofore in a letter told you that the San Simeon Keystone had abandoned further operations on the Keystone structure and I trust that now that this letter will further corraborate and justify the termination of not only the contract, but all further obligations both of the SAN SIMEON KEYSTONE, INC. and the Government under the OME contract.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

H. A. SAVAGE

HAS:m
Encls

P. S. Enclosed are four signed copies of Exploration Contract Termination Agreement.

H. A S.

NEW IDRIA MINING AND CHEMICAL COMPANY

Idria, San Benito County, California

October 5, 1965

Mr. H. A. Savage
San Simeon Keystone, Inc.
915 Helm Building
Fresno, California

Dear Mr. Savage;

At your request the New Idria Mining and Chemical Company was employed to examine and make recommendations on the Key+ stone property, which is located in the San Luis Obispo County, near the town of Cambria, California.

Core drilling in the Keystone Mine proper eliminated the possibilities of ore occurring in commercial quantities on or near the adit level.

Before abandoning the property, an exploratory drilling program should be conducted in the area north of the mine adit and near the rhyolite intrusion. Surface mapping has indicated a possible ore trap in silica-carbonate rock, where it contacts the rhyolite intrusion.

The holes should be drilled with a rotary drill rig rather than core drilling. This will furnish the needed information and cost of drilling will be cut considerably.

Respectfully yours,

NEW IDRIA MINING AND CHEMICAL CO

/s/ Max D. Ary and
/s/ Mark L. Ward

Geologists

MDA:MLW

REPORT OF INVESTIGATIONS

KEYSTONE PROPERTY

SAN LUIS OBISPO COUNTY, CALIFORNIA

OCTOVER 5, 1964

BY MAX D. ARY AND MARK L. WARD

REPORT OF INVESTIGATIONS

KEYSTONE PROPERTY

SAN LUIS OBISPO COUNTY, CALIFORNIA

BY MAX D. ARY AND MARK L. WARD

Introduction: The area of investigation is located in sections 13, 14, 23, 24; T 26 S, R. 8 E, in San Luis Obispo County, approximately six miles north of the town of Cambria, California.

The investigation was made to determine the most favorable areas for cinnabar deposits, which may occur in or beneath rhyolite croppings within the area, and to plan a drilling program to explore any possibilities found.

The area was mapped with the use of aerial photographs, both stereo pairs and enlargements of the area.

Three days were spent in the field, September 26th, 27th and 28th, 1964. Formational contacts were walked out and faults located. These were located and marked on aerial photographs. From an enlarged photograph of the area - approximate scale; one inch equal to four hundred feet - the accompanying map was made.

Because horizontal distortion of distance is inherent in aerial photography and no ground stations were developed in the area, the map is distorted slightly in relation to true horizontal distances. However, this does not effect the relationships of faults and contacts to each other.

Summary and Conclusions:

The primary purpose of the field investigation was to: (1) determine if the rhyolite dikes and stocks might host deposits of cinnabar and (2) if the rhyolite occurred as flows or sills which could trap hydrothermal solutions carrying cinnabar.

Unfortunately field eveidence does not lend credance to either of the above theories.

Th e rhyolite does appear to be slightly altered in two areas. Samples were taken from these areas and assayed for mercury by the New Idria Mining and Chemical Company. Both proved to be negative.

Soil samples were taken at intervals over the entire area. These were subsequently subjected to a parts per million test. Although soil sampling to determine the presence of mercury deposits is still in the experimental stage, the readings obtained indicated only background counts in the altered rhyolite areas. Slightly higher counts were obtained in soil on the slopes in the northern portion of the area mapped.

Careful mapping of the rhyolite contacts did not prove the existence of surface flows or sill type intrusions.

The rhyolite occurs as an irregular mass of steeply-dipping dikes and small stocks.

The rhyolite of immediate concern in the area is a northwest trending dike, dipping steeply to the northeast. The dike is present through most of the mapped area and is expressed topographically by scarps.

The rhyolite was intruded into the area late in geologic time, thereby cutting all older rocks.

On the west contact the rhyolite has cut altered Franciscan rock and older intrusions of serpentine, peridoties and other ultrabasic dikes. To the east the contact is with a buff-colored, poorly sorted sandstone probably of Cretaceous age.

The serpentine apparently intruded the Franciscan formation as sills along bedding planes. This is evidenced by rather flat northeast dipping beds of silica carbonate, which was probably derived from the serpentine by hydrothermal alteration.

It is, therefore, concluded that: (1) no cinnabar occurs within the rhyolite, (2) the rhyolite did not form a trap by occurring as sills and/or surface flows, (3) any cinnabar deposition took place only in silica carbonate rock.

However, a possibility of cinnabar occurring in economic quantity exists where the silica carbonate comes in contact with the rhyolite at depth. These areas should be further explored by drilling (see recommendations).

Recommendations: It is recommended that any drilling in the area be limited to the northern part of the area, where the silica-carbonate outcrops are quite prominent and appear to be dipping rather flat (15-20°) into the slope.

A minimum of four holes should be drilled. Holes numbers one, two and three, see map, should be inclined approximately 45° to the northeast and drilled until they

contact the rhyolite.

Hole number four should be vertical to explore the possibility of similar non-outcropping silica-carbonate lenses at depth.

A rotary drill can be used to penetrate the overburden and soft unmineralized formations. Cores should be cut in all mineralized zones to better evaluate the information.

The depth of the drill holes cannot be definitely set at the present time because of the lack of subsurface information. But no hole will probably have to be drilled over 300 feet.

About three days of bulldozer work will be required to cut roads and drillsites.

Structure: Two fault systems were recognized in the map area.

The major system has a northwest trend; and is recognized by the strike of numerous intrusive bodies which follow these zones of weakness.

Small faults, striking northeast, occurred later, offsetting the northwest trending faults.

During the Cretaceous period (1) ultrabasic igneous intrusions took place. These were primarily peridotites and pyroxenites, which were subsequently partially altered to serpentine. The ultrabasics were intruded along the formentioned northwest faults; and bedding planes and fractures.

(1) Eckel, Yates and Granger, Quicksilver Deposits in San Luis Obispo County and Southwestern Monterey County, California, U. S. Geol. Survey Bull. 922-R pp. 527, 1940.

within the Franciscan formation creating lenticular sills and dikes. During Miocene time (2) rhyolite was intruded along the above faults and fault zones forming irregular small stocks and dikes. No flows were noted in the area mapped.

One offset of a rhyolite dike was mapped but this may be only an expression of pinching and swelling of the intrusive body. Minor shear planes in the rhyolite were noted. Along some of these, mineralizing solutions have been active as evidenced by bleaching of the normally light gray rhyolite.

Mineralization: Two periods of hydrothermal alteration took place, (1) alteration of serpentine to silica-carbonate, which was later fractured by further movement along faults, and (2) deposition of cinnabar, and associated minerals predominately in the silica-carbonate rock, the latter taking place rather late in geologic time.

For a more complete regional explanation of the geology and structures of the area, the reader is referred to Eckel, Yates and Granger, U. S. Geological Survey Bulletin 922-R.

(2) Eckel, Yates, Granger Op.Cit. p 529.

SAN SIMEON KEYSTONE, INC.

FRESNO, CALIFORNIA

STATEMENTS

APRIL 30, 1965

June 16, 1965

San Simeon Keystone, Inc.
Fresno, California

We have recorded the financial transactions in the general books of San Simeon Keystone, Inc., a California corporation, for the fiscal year ended April 30, 1965 and have prepared therefrom the following financial statements:

EXHIBIT "A"	Statement of Income for the Fiscal Year Ended April 30, 1965.
EXHIBIT "B"	Cash Flow Statement for the Thirteen Month Period of Operations Ended April 30, 1965.

The accompanying financial statements were prepared from your general books, without audit or other independent verification. We are therefore unable to express an opinion on the financial statements taken as a whole.

Respectfully submitted,

Certified Public Accountant

EXHIBIT "A"

SAN SIMEON KEYSTONE, INC.
Statement of Income
For the Fiscal Year Ended April 30, 1965

(Prepared Without Audit)

INCOME:		$ none
EXPENSES:		
Grocery Supplies	$ 123	
Supplies	1,823	
Labor	8,553	
Timbers and Lumber	636	
Telephone and Utilities	295	
Explosives	149	
Equipment Rental	595	
Gas and Oil	526	
Repairs and Maintenance	221	
Miscellaneous	253	
Travel	1,196	
Assays and Freight	76	
Escrow Fees	20	
Drilling and Exploration	15,794	
Insurance	1,715	
Rent	1,300	
Taxes and Licenses	2,723	
Permits and Revenue Stamps	69	
Professional Services	1,000	
Geological Expense	243	
Contract Labor	1,050	
Interest Expense	285	
Amortization of Organization Expense	384	
Depreciation Expense	374	
Total Expenses		(39,403)
Net Loss From Operations		$ (39,403)

NOTE This exhibit is subject to the comments in the report letter dated June 16, 1965, attached hereto.

EXHIBIT "9"

SAN SIMEON KEYSTONE, INC.

Cash Flow Statement

For the Thirteen Month Period of Operations Ended April 30, 1965

(Prepared Without Audit)

CASH PROVIDED:		
From Stockholders -		
Beverly Jones		$ 10,650
H. A. Savage		6,500
J. J. Nagel		2,500
Gregory Stone		3,000
E. J. Harp		7,500
Edwin H. Goodwin		2,000
John Gerabedian		2,000
Charles E. Ogle		500
Jack Selby		500
William J. Dawson		500
		$ 35,650
From Other Sources -		
Loan - United California Bank		5,000
Government Participation in Exploration Cost		2,413
Loan - Tehachapi Mercury, Inc.		1,264
Loan - H. A. Savage (Non-reimbursed Expense Paid by H. A. Savage)		55
Depreciation Expense for the Fiscal Year Ended 4-30-65		374
Total Cash Provided		$ 44,756
CASH APPLIED:		
Operating Expenses -		
Grocery Supplies	$ 232	
General Supplies	2,389	
Labor	9,389	
Timber and Lumber	636	
Telephone and Utilities	295	
Explosives	149	
Equipment Rental	595	
Gas and Oil	526	
Repairs and Maintenance	221	
Miscellaneous	281	
Travel	1,233	
Assays and Freight	76	
Escrow Fee	20	
Drilling and Exploration	15,794	
Insurance	1,715	
Royalities	1,300	
Taxes and Licenses	2,723	
Permits and Revenue Stamps	69	

- continued -

NOTE This exhibit is subject to the comments in the report letter dated June 16, 1965, attached hereto.

EXHIBIT "B"
(continued)

SAN SIMEON KEYSTONE, INC.
Cash Flow Statement
For the Thirteen Month Period of Operations Ended April 30, 1965

(Prepared Without Audit)

CASH APPLIED - Continued		
Professional Services	$ 1,000	
Geological Expense	243	
Contract Labor - Ditching Expense	1,050	
Interest	285	
Amortization of Organization Expense	385	
Depreciation Expense	374	
Total Cash Applied for Operating Expenses - NOTE 1	$ 40,980	
Other Expenditures -		
Organization Expense	1,536	
Equipment Purchases	1,978	
Total Cash Applied		$ 44,494
Net Cash Provided Over Cash Applied		$ 262

NOTE 1 Total operating expenses of $40,980 reflects the loss of $1,577 for the fiscal year ended April 30, 1964 and the loss of $39,403 for the fiscal year ended April 30, 1965 - Per Exhibit "A".

NOTE 2 This exhibit is subject to the comments in the report letter dated June 16, 1965, attached hereto.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

May 20, 1965

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Mr. H. A. Savage
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Dear Mr. Savage:

Enclosed are the orginal and four copies of a proposed Termination Agreement, signed by the Acting Director for the Government.

If the proposed Termination Agreement meets with your approval, please sign and return the following copies to this office:

Government's copy
Fiscal Section's copy
Audit's copy
Field Office's copy

The operator's copy should be retained for your files.

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

Sincerely yours,

Paul V. Fillo
Acting Field Officer
OME, Region II

Enclosures

cc:
Chief, Division of Field Operations, OME, Wash., D. C.

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	Selfridge	130
	Fields	800
5/14	Johnson	110
		102
5/14	Cae	220
		120

MAY 14 1965

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Exploration Operations

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Referring to your memorandum of April 22, 1965, enclosed are the original and four copies of a proposed Termination Agreement, signed by the Acting Director for the Government. Also enclosed is an extra copy for field use.

If the proposed Termination Agreement is satisfactory to you and the Operator, all five copies should be signed by an authorized representative of the Operator. Thereafter, please distribute the copies in the usual manner.

If any part of the proposed Termination 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.

George C. Selfridge (gla)

Enclosures

GCSelfridge/mm (5/13/65)
cc: Director's Reading File
Review Committee
Docket
Mr. Selfridge

23263

ME FORM 6 REFERENCE SLIP

REV. 2-5 OFFICE OF MINERALS EXPLORATION

TO:	DATE	INITIALS
1. ~~Associate Solicitor, 6042~~		
2. G. C. Selfridge, 4457		
3.		
4.		
5.		
FROM: G. C. Selfridge	5/6/65	

FOR: Check items for action desired

x Action	___ Reply for signature of ___	
x Approval	___ Investigate	___ Surname
___ Comment	___ Recommendations	___ Signature
___ Conference	___ Rewrite	___ File
___ Instructions	Your information	

REMARKS: E-65-20 ~~40~~ 11

INTERIOR DEPT.

MAY 6 - 1965

FROM SOLICITOR

RECEIVED

MAY 7 1965

Division of Mineral Resources and Genenral Legal Services

SOLICITOR

MAY 13 1965

FOR SIGNATURE

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

M56300-62

DRAFT 5/5/65
GCSelfridge/mm

Docket

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

TERMINATION AGREEMENT

It is agreed this _____ day of _____, 1965, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter called the "Operator," parties to that certain Exploration Contract No. 2157 (OME-6168), dated April 19, 1962, as amended, hereinafter called the "Contract," that:

1. Effective March 17, 1965, the Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

2. The Government will contribute only to the allowable costs incurred prior to said effective date.

3. The Operator shall promptly perform all winding-up and settlement actions provided for in the Contract, including furnishing to the Government three copies of a final report (in addition to the final monthly report) which 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 related costs thereof.

4. All rights of the Government respecting certification of possible production, percentage royalty and liens to secure the payment thereof, reports (including preservation of the 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 in this termination agreement.

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

THE UNITED STATES OF AMERICA

By _____
Acting Director, Office of
Minerals Exploration

SAM SIMEON KEYSTONE, INC., ASSIGNEE

By _____

Title _____

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

April 22, 1965

OFFICIAL COPY
O. M. E.
RECEIVED
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Memorandum

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Enclosed is a copy of a letter from Mr. Savage, requesting that the contract on the Keystone property be cancelled because of the unfavorable results from their drilling program. This office concurs with the operator's request, and it is recommended that a termination agreement be prepared for signature.

Paul V. Fillo

Paul V. Fillo

Enclosures

cc:
Chief, Division of Field Operations, OME, Wash., D. C.

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

APR 1965
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

April 21, 1965

Mr. Paul V. Fillo
Acting Field Officer
OME, Region II
Bureau of Mines, 9007 Federal Building
450 Golden Gate Avenue
San Francisco, California

Dear Sir:

Perhaps you have not heard, but for the first time in my life I was forced into the hospital with a high fever for eleven days due to an infection which I picked up in old Mexico and the doctor ordered me to attend to no business for another two weeks. I have just now returned to the office and, fortunately, returned to good health; but I am limited to a few hours per day. This explains the delay in answering your letter of April 13, 1965.

Again I refer to our letter of March 17, 1965 and I add to this letter a request that the OME contract be cancelled, despite the fact that San Simeon Keystone, Inc. has spent over $25,000.00 in core drilling and some surface drilling, all of which bills have been paid, but without receiving one bit of encouragement or discovering any mineable ore in the Keystone Mine and San Simeon Keystone, Inc. abandoned all further acts and operation as we considered the matter hopeless.

We abandoned mining operations on the Keystone and, therefore, did not ask the U. S. Government to extend our OME contract any longer, which automatically has run out. The only payment since the group which I have represented and who have acted in good faith and who have spent over $25,000.00 trying to carry out the OME contract, was approximately $2400.00. This must be a disappointment to the Government, but a greater disappointment to us. We are all losers, of course.

In asking for a cancellation of the OME contract as a failure and releasing the cores, I will add, first, that my group (and especially me) had nothing to do with the securing of the OME contract and I am sure you did not have anything to do with it, either. It should never have been granted. The reports furnished you were all promotional and the specifications of over a million dollars worth of ore by tonnage numbers of high grade, medium, and low grade, were all a fiction of the imagination and were purely a matter of promotion. As I see it, the situation was clearly a misrepresentation to the Government by the geologist who made such reports.

In conclusion, I again want to state that on two occasions where a

DME contract was secured from the Government, one in connection with the Strawberry Tungsten Mine which I was then managing, and the other in connection with the Cal-Tex Tungsten Mine, which I then owned and still own but which was under lease to one Colonel Pierce who secured the DME contract, the Strawberry Tungsten Mine contract was all repaid. The portion to be repaid to the Government under the DME contract at the Cal-Tex Mine, so called now but then under lease to Colonel Pierce, required that I pay some $11,000.00 which in the operation of the mine we repaid to the Government. I want to emphasize that so far as keeping faith and making good in the past, my reputation should be cleared.

One final thing I want to say: In connection with our core drilling and with our geology, we employed M. C. Richardson, Vice President of New Idria Mining and Chemical Company; Mr. Ary, New Idria's head geologist; and Mr. Ward, who is their second highest geologist; and also the advice of Mr. Hyde Lewis, who is internationally known as the President and operator of the New Idria Mine. In spite of all of this expert knowledge, we got absolutely nothing. I guess this sometimes happens, but as Manager of the San Simeon Keystone Mine, I got the best advice and the best core drillers. Incidentally, all of our original group quit except Mr. Harp, who went into the hospital in serious condition and has been there for over two months, Mr. Jones, and I, and Mr. Jones and I have had to carry the last many thousands of dollars of expense in trying to reach the winze under the management of Mr. Wesley Shadduck, who for 25 years had been the superintendent of New Idria and who turned out to be a very expensive man. While his timbering and everything was excellent, we couldn't stand his tremendous expense and with his refusal to follow directions, we finally quit operations completely.

In closing, I want to thank you, personally, Mr. Fillo, for your cooperation and interest in our efforts, and also the U. S. Government for its interest, and trust that this letter will terminate everything.

Respectfully yours,

SAN SIMEON KEYSTONE, INC.

H. A. Savage

H. A. SAVAGE, Vice President
and General Manager

HAS:m
Dictated but not read.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

April 13, 1965

OFFICIAL
COPY
O. M. E.
RECEIVED
APR 19 1965
INITIALS CODE
800
120
120

Mr. H. A. Savage
Vice President and General Manager
San Simeon Keystone, Inc.
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Dear Mr. Savage:

In reply to your letter of March 17, 1965, I have been advised by our Washington office that the Government has no further use for the drill core and it may be disposed of.

The procedure for closing out a contract is to submit your request to terminate the contract by mutual agreement, stating reasons for the request. Of course, these reasons were disclosed in your letter of March 17, 1965.

I would appreciate an early reply, as it would facilitate the closing out of your contract.

Sincerely yours,

Paul V. Fillo
Acting Field Officer
OME, Region II

cc:
Chief, Division of Field Operations, OME, Region II

OFFICIAL FILE COPY

Date	Surname	Code
4/6	Murphy	120
	[illegible]	130
4/6	[illegible]	110
	[illegible]	100
4/1	[illegible]	220
		120

APR 7 1965

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Exploration Operations

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

This is in reply to the questions raised in your memorandum of March 31, 1965.

Under the circumstances it would be better to terminate the subject contract by mutual agreement rather than to wait and close it because the work was not completed by April 19, 1965, as stipulated in Amendment No. 3. Therefore, the Operator should be advised to submit its request for a mutual termination of the contract and state its reasons for the request.

In regard to disposal of the stored drill core, if you have inspected it and are satisfied the logs of the holes as submitted are correct, you may inform the Operator the Government has no further use for the drill core and it may be disposed of.

George C. Selfridge (gla)

FMMurphy/mm (4/6/65)
cc: Director's Reading File
Review Committee
Docket

P.S. Would the Bureau of Mines be interested in any of the core for its core library?

23263

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

March 31, 1965

OFFICIAL COPY
O. M. E.
RECEIVED
APR 5 1965
INITIALS CODE
ama 800
120 m
~~120~~

Memorandum

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Enclosed is a copy of a letter from the subject Operator for your information and files. Please advise what disposition should be taken on the drill cores that are stored on the property. I suppose it is in order to advise the Operator to submit his request for a mutual termination agreement to be considered since their findings have been negative. Your advice will be appreciated.

April 13, 1965
Completion date fixed in Amendment No. 3.

Paul V. Fillo

Paul V. Fillo

Enclosure

cc:
Chief, Division of Field Operations, OME, Wash., D. C.

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

MAR 1965
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

March 17, 1965

Mr. Paul Fillo
Office of Minerals Exploration
Bureau of Mines
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California

Dear Sir:

I regret to advise you that San Simeon Keystone, Inc. has ceased operations and there are several reasons for it.

First, the elderly gentleman, Mr. Shadduck, who thought that he had regained his health and vigor, has not been able to make any progress in the tunnel, not more than a few feet in a month, and it seems impossible to move ahead.

There is another real reason: All of the ten men who originally had put up money for core drilling quit a long time ago except Mr. E. J. Harp, Mr. Beverly H. Jones and I, and Mr. Harp is in critical condition in a hospital and probably will never recover, so he is out. Mr. Jones and I have been paying the bills up to many thousands of dollars.

I thought I should notify you so that you could act accordingly and this is the reason why I have not filed an application for an extension of time under the OME contract.

I also want to make it clear that I did not secure the OME contract and had nothing to do with it and I think an imposition was made upon the Government by setting forth facts which were not true and which were not demonstrated. I am sure you have all of these records. There are statements showing that there was over ten million dollars of mineable ore divided into rich, medium and low-grade, which is preposterous. However, I tried by securing the advice and guidance of M. E. Richardson, who is an outstanding engineer, and both Mr. Ary and Mr. Ward, the two geologists of New Idria, and Mr. Hyde Lewis, himself, to make a success of this mine, and these men were all used in guiding our expenditures. Despite their great ability and our following their recommendations, we have not found any ore of any size in the Keystone structure.

I mention these things because at the Strawberry Tungsten Mine we had a core drilling program from DEL under my management and that was paid off. At the Cal-Tex Mine I had another core drilling

contract in which $11,000.00 was to be repaid and I paid that off, so I have kept at least all commitments that I had made myself with the Government and I have been very appreciative of the Government's activities. Mr. Richardson was in charge of the Strawberry Tungsten Mine core drilling, and Colonel Pierce was in charge of the Cal-Tex Tungsten Mine; but he could not raise any money so it became my duty to pay the $11,000.00 due the Government and this I did.

This brings me to the always unpleasant duty of burying a dead horse. All of our cores are available in the original form and you have complete geologists' analyses of them, together with the distances and directions and dips of all of our core drilling. I feel obliged to ask you what to do with these many cores that are worthless insofar as mining cinnabar is concerned and all of which has cost us way over $25,000.00. We have only received back from the Government $2400.00, so, so far as OME is concerned, we have not been extravagant nor burdensome. We have kept the cores, as you have seen, under canvas cover and they still are. Is there anything you want us to do with these cores?

Thru Oct 1964 Govt. Participation $4,709.05 ?

Last voucher August 1964 Total approved work $9,418.09

I especially appreciate your loyal cooperation and your many trips and observations at the Keystone Mine. You have certainly done all that any of us could have hoped for, even under adverse results, and I, on behalf of all of the stockholders of Keystone, want to thank you and the entire OME program at Washington as well as in your office.

Please let me hear from you as to what, if anything, should be done with the cores or in connection with the OME contract.

Sincerely yours,

SAN SIMEON KEYSTONE, INC.

By H A Savage
H. A. SAVAGE, Vice President

HAS:m

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OFFICIAL COPY
O. M. E.
RECEIVED
Mar 1 1965

INITIALS	CODE
	800
	100
	110
	120
	120

February 23, 1965

Memorandum

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Interim Inspection

The property was inspected by the Acting Field Officer on February 19, 1965 accompanied by the operator, Mr. H.A. Savage.

The operator has three men employed in rehabilitating an old adit, at his own expense, in hopes of opening up the winze that is mentioned in U.S.G.S., Bull. 922-R, pp. 572-573, where a favorable showing of cinnabar mineralization is exposed. At times the work of repairing the adit during the past 6 months was discouraging because of the unstable rock and inexperienced miners. At present the personnel Mr. Savage has now are timbering in accordance with good mining standards.

The surface drilling program, which was also done at his expense, has proven to be a disappointment in disclosing any significant cinnabar mineralization. A termination Agreement was discussed with Mr. Savage and his comments are that they have expended over $40,000 of their own funds, and that for their final attempt to find ore on the property, they are going to clean out the 50 foot winze for a verification of cinnabar showing as mentioned in the U.S.G.S. bulletin.

They hope to complete this work in the next four to six weeks. In Amendment No. 3, the completion date of the subject contract is stated as April 19, 1965.

Paul V. Fillo

Paul V. Fillo

cc:
Chief, Division of Field Operations, OME, Wash., D. C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OFFICIAL COPY
O. M. E.
RECEIVED
MAR 1 1965
INITIALS | CODE
120

Date: 2/19/65

Memorandum

To : Compliance Officer

From : Acting Field Officer, Region II

Subject: Equal Employment Opportunity Under Government Contracts
OME- 6168 (Mercury)
Operator: San Simeon Keystone, Inc.
Name of Property: Keystone Mine
County-State: San Luis Obispo County, Calif.
Contract No.: 2157

I have obtained the following information from my visit to the operating project under the subject contract:

		Not on OME account
1.	Number of all employees	3 (rehabilitating)
2.	Number of women employees	0
3.	Number of Negro employees	0
4.	Number of other minority groups (Indian, Latin, Oriental, etc.)	0
5.	Was employed through a union?	No
6.	Distance to the closest union headquarters	45 miles
7.	Are the discrimination posters prominently displayed?	yes
8.	If employment was through a union, was the union furnished Standard Form 38?	----
9.	If employment was not through a union, in what manner was employment made?	solicited
10.	Acts of intimidation matter has been discussed with	the mine operator

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

January 26, 1965

ORIGINAL COPY
RECEIVED
JAN 28 1965
INITIALS | CODE
ama | 800
gmm | 120
120

Memorandum

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Enclosed is a copy of a letter from the subject operator for your information and files. It will be interesting to see how much mineralization is exposed at the bottom of the winze.

Paul V. Fillo

Paul V. Fillo

Enclosure

cc:
Chief, Division of Field Operations, OME, Wash., D. C.

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES B. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

JAN 1965
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

January 25, 1965

Mr. Paul Fillo
Bureau of Mines
Office of Minerals Exploration
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California

Dear Sir:

I am advised that great progress has been made toward the winze in the tunnel since they were able to resume operations last week. From December 16th until last week access was not available due to the heavy rains and the road washouts. Mr. Wesley Shattuck has accomplished this result and he thinks he is at the beginning of the winze - at the close of work on Saturday evening. I will keep you informed.

The drilling high on the Keystone structure, as recommended and approved by the two top geologists of New Idria Mining & Chemical Company, has been very unsatisfactory. The first hole was run to 255 feet showing nothing - hard serpentine practically all the way except the top 50 to 70 feet. The second hole was drilled about 250 feet. I don't have the exact measurements, no logs here yet. They encountered a strata of three feet of clay and three feet of mineable ore, but nothing below it. The third location has been drilled to a depth of about 70 feet. Nothing but hard serpentine and we will probably cease any further drilling because of the poor results.

Sincerely yours,

SAN SIMEON KEYSTONE, INC.

H A Savage

H. A. SAVAGE

HAS:m

Form 7
(5))

OFFICIAL FILE COPY

Date	Surname	Code
12/8	Fisher	800
12/8	Murphy	120M
	[illegible]	120
12/10	Johnson	110
12/10	Roe	100
12/		120 M

DEC 1 0 1964

Mr. H. A. Savage
Vice President and General Manager
San Simeon Keystone, Inc.
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract 2157

Dear Mr. Savage:

Supplementing my letter to you dated December 4, 1964, please be advised that photostatic copies have now been received from the Treasury Department of the two checks for work performed by your company in 1963. Particulars with respect to these checks follow:

Check No.	Date	Amount	Payee
52,822,407	4/9/63	$1,549.74	San Simeon Keystone, Inc. Assignee for Jack Selby & William J. Dawson 770 Fifth Street Morro Bay, Calif.
53,863,134	8/14/63	746.23	San Simeon Keystone, Inc. San Luis Obispo County, California

Both checks bear the following stamped endorsement:

For Deposit Only
Pay to the Order of
Mid-State Bank
San Simeon Keystone, Inc.
3702-0

Both checks bear bank stamps of Mid-State Bank, Arroyo Grande, California, the first being dated April 19, 1963, and the second September 10, 1963.

CEFisher/ama 12-8-64
cc: Docket
Director's Reading File
CA & A Division
Region II
Fiscal Section

Sincerely yours,

George Fumich, Jr.
Acting Director

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
12/7	Kolar	800
12/7	Murphy	120M
	Jellinger	120
12/7	Johnston	110
		100
12/8	cal	220
		12021

Check Claims Division
Office of Treasurer of the United States
Treasury Department
Washington, D. C. 20025

DEC 8 - 1964

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract 2157

Gentlemen:

Enclosed for your record is Form TUS 2244 A executed by San Simeon Keystone, Inc., 915 Helm Building, Fresno 21, California, pertaining to check No. 71 251 247, amount $2,413.08, covering the Government's participation in certain exploration costs under the subject contract.

This office has been informed by San Simeon Keystone, Inc., that the duplicate check issued in replacement of check No. 71 251 247 has been received by that company.

Sincerely yours,

George Fumich, Jr.

Acting Director

Enclosure

CEFisher/ama 12-7-64

cc:
Docket
Director's Reading File
CA & A Division
Fiscal Section

23263

FORM TUS 2243
TREASURY DEPARTMENT
TREASURER, U.S.

APPLICATION TO OBTAIN THE ISSUANCE OF A SUBSTITUTE CHECK (OR CHECKS) WITHOUT THE EXECUTION OF AN UNDERTAKING OF INDEMNITY

(See instructions on reverse side)

(1) [illegible]

Type, print, or clearly write the name of the owner of the check, by first name, middle initial, and last name)

(2) Whose permanent address is [illegible] (Number and street) [illegible] (City) [illegible]ia (State)

represents to the United States of America that he is the owner of the check (or checks) hereinafter described, drawn on the Treasurer of the United States, that he has requested payment of said check (or checks) be stopped, and does hereby make application for a substitute (or substitutes) for such check (or checks):

NAME OF PAYEE	AMOUNT	CHECK NO	DATE	SYMBOL
San Simeon Keystone, Inc	$2,413.08	71 251 247	10/27/64	3000

(3) That said check (or checks) [illegible] (insert "was" or "was not") received by the payee or by someone on his behalf.

[If the check (or checks) was received, the payee should state below all information known by him regarding the loss, theft, mutilation, defacement, or destruction of the check (or checks).]

(4) That the check (or checks) [illegible] (insert "was" or "was not") endorsed. (If endorsed, state exact manner of all endorsements appearing thereon)

That except as stated above the whereabouts of the check (or checks) is unknown to him.
And he hereby agrees that should the original of any substitute check issued hereunder come into his possession or control at any time, he will not cash both the original and the substitute thereof, and will surrender immediately to the Treasurer of the United States, Check Claims Division, Washington 25, D. C., the check not cashed.

(5) Signed and dated this [illegible] day of November, 19[illegible]4

WARNING

The making or presenting of any false or fraudulent claim against the United States or statement in support thereof is punishable by fine or imprisonment or both.

(6) SAN SIMEON KEYSTONE, INC.
BY [illegible] (SEAL)
(If an individual, sign in longhand exactly as name is shown on line 1)
(If partnership, corporation, etc., see instructions for line 6) President

CERTIFICATE OF AUTHORITY

(To be executed if applicant is a corporation, society, lodge, association, etc.)

I, the undersigned, certify that I am the Vice President (Title) of the SAN SIMEON [illegible] (Name of applicant), and that [illegible] H. JONES who signed the application on behalf of said applicant was then President (Title) thereof, and authorized to execute the application on behalf of the said applicant, and that his signature thereto is genuine.

(Signature of person making certificate)

SEAL OF APPLICANT IF ANY

DATAFORM FORMS INC., CHICAGO, ILL.

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
12/3	Fisher	800
12/3	Murphy	120M
	Eldridge	120
12/3	Johnson	110
		100
12/2	Coe	220
		1 250 M

AIR MAIL

DEC 4 - 1964

Mr. H. A. Savage
Vice President and General Manager
San Simeon Keystone, Inc.
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract 2157

Dear Mr. Savage:

The statement in your letter dated November 30, 1964, that the duplicate check for $2,413.08 constitutes the first payment San Simeon Keystone, Inc., has ever received on account of the subject contract comes as a surprise to me.

Our records indicate that a voucher submitted for work accomplished in January 1963 was approved for payment in the amount of $1,549.74. I am informed that a check for this amount was issued in April 1963 in favor of San Simeon Keystone, Inc., Assignee of Jack Selby and William J. Dawson, 770 5th Street, Morro Bay, California.

On July 16, 1963, our Audit Division issued an Interim Report of Review indicating that an additional amount of $746.23 was due the Operator covering work accomplished during the period January through April 1963. A copy of this Report of Review was mailed to Mr. James B. Thwaites, 1015 Grand Avenue, Arroyo Grande, California, by Mr. Fillo on July 30, 1963. Payment of this amount was authorized and I am informed a check for such amount was issued in August 1963. I am also informed that this check was improperly addressed to San Luis Obispo, California.

It is possible that neither of these checks have actually reached your company. The Treasury Department is investigating and will let me know in a few days what their records may show with regard to them. In the meantime you may wish to make an investigation of your own.

23263

Enclosed is a brief statement of payments made to your company under this contract as shown by our records.

Our records indicate that the total payments aggregating $4,709.05 represent the Government's proportion of acceptable costs claimed to date. These are substantially less than your actual costs as shown by drilling invoices, etc. The first paragraph of your letter dated July 22, 1964, to Mr. Fillo indicates you are aware that many of the expenses shown on your vouchers are not eligible for Government participation.

I will keep you informed regarding the developments with the Treasury Department so that duplicate checks may be obtained if such action should be found to be in order.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

Enclosure

CEFisher/ama 12-3-64

cc:
Docket
Director's Reading File
CA & A Division
Region II
Fiscal Section (w/cy of inc. ltr.)

Approved Costs
San Simeon Keystone, Inc.
OME-6168

	Per Report of Review 7/16/63	June 1964	July 1964	August 1964	Totals
Drilling, non-core 1357' @ $1.50	$2,035.50				$2,035.50
Drilling, underground 258'		$1,304.75			1,304.7[illegible]
" " 477'			$2,358.50		2,358.5[illegible]
" " 65'				$320.00	320.00
Transportation of drill & equipment		75.00		75.00	150.00
Drain pipe	79.56				79.56
Reaming				20.90	20.90
Fixed Unit Costs					
Bulldozing road, 38 hours @ $14.00	532.00				532.00
Bulldozing dam, etc., 45 hours @ $14.00	630.00				630.00
Spring, dam, and water system	175.00				175.00
Incidental Allowance, 1357' @ $0.84	1,139.88				1,139.88
" " 258' @ $0.84		216.72			216.72
" " 477' @ $0.84			400.68		400.68
" " 65' @ $0.84				54.60	54.60
Total Acceptable Costs	$4,591.94	($1,596.47	$2,759.18	$470.50)	$9,418.09
Government Participation - 50%	$2,295.97		$2,413.08		$4,709.0[illegible]

Checks issued:

April 1963	$1,549.74
August 1963	746.23
October 1964	2,413.08
	$4,709.05

NOTE: Form TUS 2244A is awaiting signature. It will be forwarded as soon as the President of the corporation comes in to sign it.

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMherst 8-4536

OFFICIAL FILE COPY
O. M. E.
RECEIVED 2 1964
DATE
12/2 800
120
120

November 30, 1964

AIR MAIL

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

Gentlemen:

I wish to acknowledge receipt of your duplicate check for $2,413.08 and advise you that San Simeon Keystone, Inc. never has received any check on account of the OME contract previous to receipt of this duplicate check. As per your request, if the original check should turn up I will immediately mail it to you. The Board of Directors and, with due modesty, myself, are all substantial people and we never could understand why, after careful performance of all of the terms of our OME contract No. 2157, we could never get any money to cover OME's participation in the expenses which we became entitled to.

I am advised by Mr. Paul Fillo of your San Francisco Office of OME, that the duplicate check for $2,413.08 is only a payment for, I presume, the Month of June. We would greatly appreciate the total amount that San Simeon Keystone, Inc. has earned in the core drilling done during the months of July and August.

We need this money to continue the underground tunnel to the winze ? which your Mr. Paul Fillo has always wanted us to do, although we get no participation under our OME contract for this work; but we need the balance of the money earned under our OME contract to finish this tunnel to the winze and to clean out the winze as it has been indicated by all parties locally and even Bulletin 922R of the Bureau of Mines, that at the winze there was 20-pound ore.

In order to show our good faith and out of our own pockets, we, believing we will receive the balance of our OME participation money, have had extensive and complete geological exploration of the surface by the two head geologists of New Idria Mining & Chemical Co., and we are drilling and core drilling where they believe, in addition to the ore in the tunnel, we should find much higher values and this core drilling will probably cost us another $10,000.00.

May we hear from you.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

By H A Savage
H. A. SAVAGE, Vice President
and General Manager

HAS:m
cc: Paul Fillo

TREASURY
DIVISION OF
DISBURSEMENT

WASHINGTON, D.C.

No. 52,822,407
SYMBOL 3000
APR -9 1963

Treasurer of the United States 15-51 / 000

PAY ► ► ► ► ► ► ► ► $ * * 1,549.74 *

TO THE
ORDER OF

SAN SIMEON KEYSTONE INC
ASSIGNEE FOR JACK SELBY & WILLIAM J DAWSON
770 FIFTH ST
MORRO BAY CALIF

Lawrence Lary
30 REGIONAL DISBURSING OFFICER

DO NOT FOLD, SPINDLE OR MUTILATE
KNOW YOUR ENDORSER . . REQUIRE IDENTIFICATION

DRAWN FOR ABOVE OBJECT

⑆0000⑈0051⑆

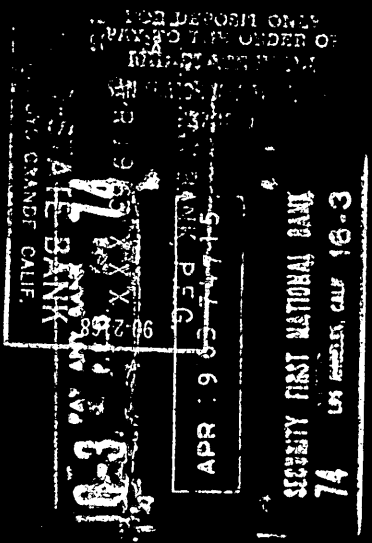
IDENTIFICATION PROCEDURE

When cashing this check for the individual payee, you should require full identification and endorsement in your presence, as claims against endorsers may otherwise result.

The payee should endorse below in ink or indelible pencil.

If the endorsement is made by mark (X) it must be witnessed by two persons who can write, giving their place of residence in full.

It is suggested that this check be promptly negotiated.



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U.S. SAVINGS BONDS
Safe as America

TREASURY
DIVISION OF
DISBURSEMENT

WASHINGTON, D.C.

No. 53 863 134
SYMBOL 3000

AUG 14 1963

Treasurer of the United States 15-51 / 000

PAY ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ $ * * * 7 4 6.2 3 *

TO THE ORDER OF

SAN SIMEON KEYSTONE INC
SAN LUIS OBISPO COUNTY
CALIFORNIA

11 6214

Lawrence Lucy
30 REGIONAL DISBURSING OFFICER

DO NOT FOLD, SPINDLE OR MUTILATE
KNOW YOUR ENDORSER - REQUIRE IDENTIFICATION

DRAWN FOR ABOVE OBJECT

00,358,001

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IDENTIFICATION PROCEDURE

When cashing this check for the individual payee, you should require full identification and endorsement in your presence, as claims against endorsers may otherwise result.

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If the endorsement is made by mark (X) it must be witnessed by two persons who can write, giving their places of residence in full.

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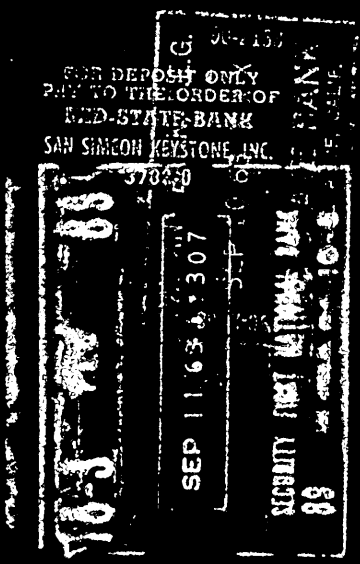

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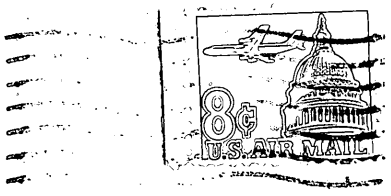
SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA

FRESNO, CALIF.
PM
30 NOV
1964



AIR MAIL

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

Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
11/25	Nolan	800
11/25	Murphy	120M
	Delonge	120
11/25	Jackson	110
"	[illegible]	100
"	[illegible]	220
		[illegible]

AIR MAIL

NOV 25 1964

Mr. H. A. Savage
Vice President and General Manager
San Simeon Keystone, Inc.
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract 2157

Dear Mr. Savage:

This refers to your letter dated November 18, 1964, to Mr. Paul Fillo.

I have been informed that the Treasury Department mailed a check in the amount of $2,413.08 to your company on October 27, 1964, in payment for the Government's contribution to acceptable costs of work performed in June, July, and August 1964. However, the check was misdirected accounting for the failure of its being delivered to you. A new check is being sent to your company today directed to the above address.

I am sorry that this mix-up occurred and hope that the check has now been received by you or will be received within a day or two.

Sincerely yours,

George Fumich, Jr.

Acting Director

CEFisher/ama 11-25-64

cc:
Docket
Director's Reading File
CA & A Division
Region II
Fiscal Section (w/cy of inc. ltr.)

23263

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

OFFICIAL FILE COPY
O. M. E.
RECEIVED NOV 23 1964

DATE	INITIALS	CODE
11/24	[illegible]	800, 1207, ~~120~~

November 18, 1964

Mr. Paul Fillo
Office of Minerals Exploration
Bureau of Mines
9007 Federal Building Box 36012
450 Golden Gate Avenue
San Francisco, California

Dear Sir: Re: San Simeon Keystone, Inc. OME-6168, No. 2157

The San Simeon Keystone, Inc. cannot understand why, after we have so religiously conformed with the requirements of our OME contract, that we cannot get paid in accordance with the contract. At great expense we have paid for the core drilling and had it done by Boyles Bros., I think the biggest and best core drilling company, worldwide. We also hired the chief geologists from New Idria Mine, who have checked all of the cores and all of the findings from the drillings, labeled them, and covered them. We have also had a Certified Public Accountant prepare all of the forms of 60 and 61 and furnished paid bills for everything.

We are very anxious to get this money because the writer has personally put up money to get a complete geological mapping of the large Keystone structure, and a copy of their geological report was furnished Mr. Paul Fillo for his examination. These geologists believe that higher up on the Keystone structure at points designated by their geological report which took many days work, that there is every reason to believe that good cinnebar ore can be found in large quantities. If we get this money we need it now before the heavy rains come on so that we can put a D-8 bulldozer up where the greatest promise is, to drill several holes which will be at our expense, to determine whether or not the geologists are right. Also, if we get this money, we will open the tunnel to the winze and that is where Mr. Hyde Lewis and Mr. Richardson, both expert engineers, believe that high-grade ore will be discovered in paying quantities.

While I am addressing this letter to Mr. Paul Fillo, I am sending you a duplicate of it at Washington. Surely, now that the election is over and now that the need for quick silver is greater than ever before, surely we should receive our very substantial participating payment in accordance with our OME contract. Something must have gone wrong in Washington or

COPY

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

maybe someone put the matter aside and never got back to it again; but we are glad to cooperate with the OME as we have always done, and I think the Bureau of Mines and its subsidiaries are doing a wonderful job.

I sincerely hope that you will now give this matter your prompt attention and send the participating amount San Simeon Keystone, Inc. is entitled to receive for the many, many thousands of dollars which we have expended in carrying out our OME contract No. 2157.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

By H A Savage
H. A. SAVAGE, Vice President and
General Manager

HAS:m
cc: Bureau of Mines
office of Minerals Exploration
Washington, D. C.

COPY

MME Form 7
(2/63)

OFF		
Date		
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		Code
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		100
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		120 M

OCT 2 8 1964

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Exploration Operations

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, California
Contract 2157

Core boxes are allowable costs for Government participation under this contract only if they can be shown to be direct actual costs incurred in connection with the drilling program. Ordinarily such costs must be substantiated by vendors' invoices.

Boyles Bros. Drilling Company's proposal dated May 13, 1964, under item 2, states that cardboard core boxes will be supplied by the driller. No mention is made of any charge for such core boxes so the natural assumption would be that none is contemplated. Presumably the driller has considered core boxes, along with drilling bits, to be an item of drilling costs for which it is reimbursed by the footage charges included in the proposal.

In his letter dated October 15, 1964, Mr. Savage has indicated he realizes that core boxes do not represent "direct actual costs incurred", but rather are included in the footage rates paid to the drilling contractor.

George C. Selfridge (gla)

CEFisher/ama 10-28-64

cc:
Docket
Director's Reading File
CA & A Division
Review Committee

23263

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

October 26, 1964

OFFICIAL FILE COPY
O. M. E
RECEIVED OCT 27 1964

DATE	INITIALS	CODE
10/27	EEF	800
		120
		120

Memorandum

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed are copies of the operator's letters dated October 15, 1964, and a geologic report from his engineers, for your information and files.

The operator was advised that in order to receive payments for the core boxes used on the project he must submit an invoice. Your advice on this item will be appreciated.

Paul V. Fillo

Paul V. Fillo

Enclosures
cc:
Chief, Division of Field Operations, OME, Wash., D. C.

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

October 15, 1964

Mr. Paul V. Fillo
Bureau of Mines
Office of Minerals Exploration
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California
Box 36012

Dear Sir: Re: San Simeon Keystone, Inc.

I am reporting to you the results of the complete geological check of the Keystone structure from top of the same up to the rhyolite, as made by Messrs. Max D. Ary and M. L. Ward, and just completed.

These geologists use the latest techniques, which I am sure you are familiar with, in connection with soil sampling, etc., and I have just received their report. Heretofore I have shown you their geological map of the lower part of the structure down near our tunnel where we did the core drilling. For a long time I have believed that the flat up to the northern part of the Keystone structure and very much above any surface drilling that has been done on the Keystone structure, should be very favorable for substantial production of cinnabar and Mr. Dawson found up there the richest cinnabar that he has found anywhere in his eight years of working on the Keystone structure; so I was not surprised, but highly pleased when these geologists after days of careful study, determined that we should drill by surface drill near the contacted silicon carbonate structure so as to intercept it at a 45 degree angle at around 300 feet under the surface by drilling four holes. If any of these four holes show good cinnabar ore, then maybe we should do a lot more drilling, and this we intend to do. Of course, we realize that under our OME contract we cannot be reimbursed for this work.

The important thing, however, is that we want to preserve the OME contract insofar as running an underground working tunnel in the event we do find substantial ore bodies and in this connection, if we do find ore along the some 500 foot area designated by this geological report as most likely, we would probably drill a great deal more holes so long as we are extending the favorable ore body.

We are also intending to continue the present tunnel to the winze and probably clean out the winze as the U. S. Bureau of Mines Bulletin No. 922R indicates that there was 20 pound ore at the winze. It was hoped our last core drilling would intercept the ore body at the winze, but due to changes in the direction, different than was anticipated, we never hit the silicon carbonate at the point where

COPY

it was running toward the winze.

We would like to continue all of these projects and it would help a great deal if we could secure the participating payments for the core drilling and incidental things done in connection with the core drilling which are covered by our OME contract. Some of the very fine men associated with me have been wondering and are somewhat disappointed in not receiving any money at all from even the April drilling, and I suppose now when the money is sent it will all be sent at once. Naturally, the world demand for mercury and its extremely high price (which personally I feel is too high) is a great incentive to us to proceed with the tunnel to the winze and to do the n e w drilling, and the receipt of the money that has been earned under the OME contract would, I feel sure, put us on the job again further exploring the possibilities of the Keystone structure.

With kindest personal regards.

Sincerely yours,

SAM SIMEON KEYSTONE, INC.

By H. A. Savage
H. A. SAVAGE, Vice President
and General Manager

HAS:m

P. S. I am enclosing the geological report of New Idria Mining & Chemical Co. made by its two top geologists, Messrs. Ary and Ward, for your examination. As I need this report locally, after you have examined it, I would appreciate its return to me.

H. A. S.

Enc.

DIAMOND CORE DRILLING
DIAMOND DRILLING EQUIPMENT
GROUTING
FOUNDATION TESTING
MINING
QUARRYING
SHAFT SINKING
TUNNEL DRIVING
MINE PLANT DESIGN
AND FABRICATION

Boyles Bros.
DRILLING COMPANY
CONTRACTORS-ENGINEERS-GEOLOGISTS
Highway 40 at Lincoln Turn-off
2½ Miles West of Auburn, California
P. O. Box 831 Auburn, California
Phones: Office: 885-6581
Home: Carmichael, Calif.
489-3060

General Offices and Plant
1624 Pioneer Road P. O. Box 58
SALT LAKE CITY 10, UTAH
HUnter 7-7995
BRANCH OFFICES
PHOENIX
RENO
SPOKANE
DENVER
ST. LOUIS

May 13, 1964

Mr. H. A. Savage
915 Main Building
Fresno, California

Reference: Exploratory Drilling at Keystone Mine.

Dear Sir:

The following proposal is submitted in accordance with your verbal request for underground exploratory drilling to be done at the Keystone Mine near Cambria, California.

Item 1 - Mobilization and demobilization of 1 underground core drill and accessories and 1 315 C.F.M. compressor. $1,750.00

Item 2 - Core drilling - 6 days a week, per 8 hour shift 140.00
Plus the following charges per lineal foot drilled:

	AX	BX	NX
0 to 300 feet in depth	4.00	5.00	6.60
300 to 600 feet in depth	5.00	6.60	

I We will supply a 315 C.F.M. compressor, cardboard core boxes and drilling bits.
Drill crew consisting of 1 Foreman-driller and 1 Drill helper.

Item 3 - Reaming, if required - 140.00 per 8 hour shift
Plus 1.90 per lineal foot, all sizes.

Item 4 - Cementing, redrilling cement or mixing drilling mud - 140.00 per 8 hours or 17.50 per hour
Plus cost of cement, cement substitutes or drilling mud, if required, delivered at the job site.

You are to supply the following at no cost to Boyles Bros. Drilling Company:

Access to work area.
Sufficient water and lights at drill stations.
Install 2" air line from portal to drill station.

For holes drilled to 300 feet in depth, we would require a minimum of 16 feet of room in line with the hole. Holes that are over 300 feet in depth will require a minimum of 26 feet of room in line with the hole.

Our rates are based on drilling a minimum of 850 linear feet. If after drilling this minimum footage, you should decide to continue with this drilling program, we would review our costs and make whatever equitable adjustment in these rates that we possibly could.

If you have any questions concerning this proposal or the work, we would be very pleased to answer them.

Thank you for calling on us.

Very truly yours,

BOYLES BROS. DRILLING COMPANY

PETER CHESLER, District Manager

PC/jg

cc: Boyles Bros S. L. C.

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

October 15, 1964

Mr. Paul V. Fillo
Bureau of Mines
Office of Minerals Exploration
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California
Box 36012

Dear Sir: Re: San Simeon Keystone, Inc.

In connection with the question raised by you this morning on the telephone over the core boxes, I am sending this letter to you by way of explanation.

We never did receive an invoice or billing on the core boxes at 80 cents a piece and the reason why we did not, after inquiring of you and the core drill people, we arrived at the cost of the core boxes of 80 cents and there were 84 core boxes used in the core drilling. All these cores, of course, are covered by waterproof canvass and marked "property of the United States Government." The reason why we did not receive a separate billing on the core boxes is because the drilling contractor in making his charge for core drilling, agreed to furnish these core boxes and we have paid for these core boxes when we paid the core driller. To substantiate this statement, I am sending you four copies of the core drilling contract, which shows that Boyles Bros. did furnish and charge us for the core boxes.

With this explanation I trust that you and OME will be able now after months of waiting and paper work, to make payment in accordance with the OME contract.

Sincerely yours,

SAN SIMEON KEYSTONE, INC.

By H A Savage
H. A. SAVAGE, General Manager
and Vice President

HAS:m
Enc.

COPY

NEW IDRIA MINING AND CHEMICAL COMPANY
IDRIA, SAN BENITO COUNTY, CALIFORNIA
Telephone: New Idria Number One

October 5, 1964

Mr. H. A. Savage
San Simeon-Keystone, Inc.
915 Helm Building
Fresno, California

Dear Mr. Savage:

At your request the New Idria Mining and Chemical Company was employed to examine and make recommendations on the Keystone property, which is located in the San Luis Obispo County, near the town of Cambria, California.

Core drilling in the Keystone Mine proper eliminated the possibilities of ore occurring in commercial quantities on or near the adit level.

Before abandoning the property, an exploratory drilling program should be conducted in the area north of the mine adit and near the rhyolite intrusion. Surface mapping has indicated a possible ore trap in silica-carbonate rock, where it contacts the rhyolite intrusion.

The holes should be drilled with a rotary drill rig rather than core drilling. This will furnish the needed information and cost of drilling will be cut considerably.

Respectfully yours,

NEW IDRIA MINING AND CHEMICAL CO

Max D. Ary
Mark L. Ward

Max D. Ary and Mark L. Ward
Geologists

MDA: MLW/rcp

REPORT OF INVESTIGATIONS

KEYSTONE PROPERTY

SAN LUIS OBISPO COUNTY, CALIFORNIA

OCTOBER 5, 1964

BY MAX D. ARY AND MARK L. WARD

REPORT OF INVESTIGATIONS
KEYSTONE PROPERTY
SAN LUIS OBISPO COUNTY, CALIFORNIA
BY MAX D. ARY AND MARK L. WARD

Introduction: The area of investigation is located in sections 13, 14, 23, 24; T 26 S, R. 8 E. in San Luis Obispo County, approximately six miles north of the town of Cambria, California.

The investigation was made to determine the most favorable areas for cinnabar deposits, which may occur in or beneath rhyolite croppings within the area, and to plan a drilling program to explore any possibilities found.

The area was mapped with the use of aerial photographs, both stereo pairs and enlargements of the area.

Three days were spent in the field, September 26th, 27th and 28th, 1964. Formational contacts were walked out and faults located. These were located and marked on aerial photographs. From an enlarged photograph of the area - approximate scale; one inch equal to four hundred feet - the accompanying map was made.

Because horizontal distortion of distance is inherent in aerial photography and no ground stations were developed in the area, the map is distorted slightly in relation to true horizontal distances. However, this does not effect the relationships of faults and contacts to each other.

Summary and Conclusions:

The primary purpose of the field investigation was to: (1) determine if the rhyolite dikes and stocks might host deposits of cinnabar and (2) if the rhyolite occurred as flows or sills which could trap hydrothermal solutions carrying cinnabar.

Unfortunately field evidence does not lend credance to either of the above theories.

The rhyolite does appear to be slightly altered in two areas. Samples were taken from these areas and assayed for mercury by the New Idria Mining and Chemical Company. Both proved to be negative.

Soil samples were taken at intervals over the entire area. These were subsequently subjected to a parts per million test. Although soil sampling to determine the presence of mercury deposits is still in the experimental stage, the readings obtained indicated only background counts in the altered rhyolite areas. Slightly higher counts were obtained in soil on the slopes in the northern portion of the area mapped.

Careful mapping of the rhyolite contacts did not prove the existence of surface flows or sill type intrusions.

The rhyolite occurs as an irregular mass of steeply-dipping dikes and small stocks.

The rhyolite of immediate concern in the area is a northwest trending dike, dipping steeply to the northeast. The dike is present through most of the mapped area and is expressed topographically by scarps.

The rhyolite was intruded into the area late in geologic time, thereby cutting all older rocks.

On the west contact the rhyolite has cut altered Franciscan rock and older intrusions of serpentine, peridotites and other ultrabasic dikes. To the east the contact is with a buff-colored, poorly sorted sandstone probably of Cretaceous age.

The serpentine apparently intruded the Franciscan formation as sills along bedding planes. This is evidenced by rather flat northeast dipping beds of silica carbonate, which was probably derived from the serpentine by hydrothermal alteration.

It is, therefore, concluded that: (1) no cinnabar occurs within the rhyolite, (2) the rhyolite did not form a trap by occurring as sills and/or surface flows, (3) any cinnabar deposition took place only in silica carbonate rock.

However, a possibility of cinnabar occurring in economic quantity exists where the silica carbonate comes in contact with the rhyolite at depth. These areas should be further explored by drilling (see recommendations).

Recommendations: It is recommended that any drilling in the area be limited to the northern part of the area, where the silica-carbonate outcrops are quite prominent and appear to be dipping rather flat (15-20°) into the slope.

A minimum of four holes should be drilled. Holes numbers one, two and three, see map, should be inclined approximately 45° to the north-

east and drilled until they contact the rhyolite.

Hole number four should be vertical to explore the possibility of similar non-outcropping silica-carbonate lenses at depth.

A rotary drill can be used to penetrate the overburden and soft unmineralized formations. Cores should be cut in all mineralized zones to better evaluate the information.

The depth of the drill holes cannot be definitely set at the present time because of the lack of subsurface information. But no hole will probably have to be drilled over 300 feet.

About three days of bulldozer work will be required to cut roads and drillsites.

Structure: Two fault systems were recognized in the map area.

The major system has a northwest trend, and is recognized by the strike of numerous intrusive bodies which follow these zones of weakness.

Small faults, striking northeast, occurred later, offsetting the northwest trending faults.

During the Cretaceous period [1] ultrabasic igneous intrusions took place. These were primarly peridotites and pyroxenites, which were subsequently partially altered to serpentine. The ultrabasics were intruded along the formentioned northwest faults; and bedding planes and fractures

(1) Eckel, Yates and Granger, Quicksilver Deposits in San Luis Obispo County and Southwestern Monterey County, California, U.S. Geol. Survey Bull. 922-R pp. 527, 1940.

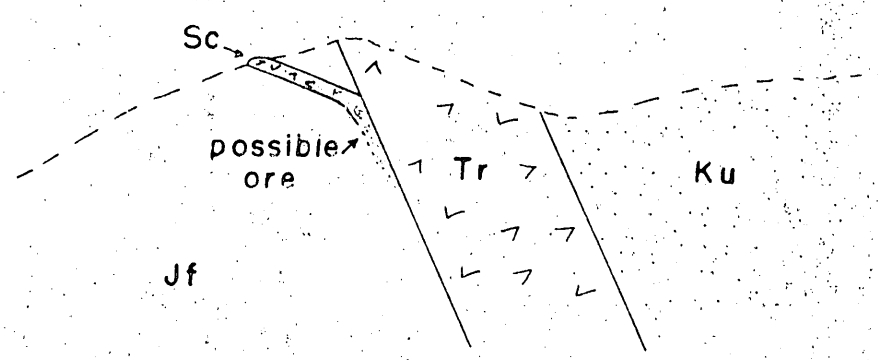
within the Franciscan formation creating lenticular sills and dikes. During Miocene time [2] rhyolite was intruded along the above faults and fault zones forming irregular small stocks and dikes. No flows were noted in the area mapped.

One offset of a rhyolite dike was mapped, but this may be only an expression of pinching and swelling of the intrusive body. Minor shear planes in the rhyolite were noted. Along some of these, mineralizing solutions have been active as evidenced by bleaching of the normally light gray rhyolite.

Mineralization: Two periods of hydrothermal alteration took place, (1) alteration of serpentine to silica-carbonate, which was later fractured by further movement along faults, and (2) deposition of cinnabar, and associated minerals predominately in the silica-carbonate rock, the latter taking place rather late in geologic time.

For a more complete reginnal explanation of the geology and structures of the area, the reader is referred to Eckel, Yates and Granger, U. S. Geological Survey Bulletin 922-R.

(2) Eckel, Yates, Granger Op. Cit. p 529.



Diagrammatic Section
Showing possible silica-carbonate
rhyolite relationship

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

October 13, 1964

Memorandum

To : Fiscal Section, Office of Management Operations, Office of the Secretary, Washington, D. C.
From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Enclosed are the original and two copies of the operator's monthly vouchers and the progress report for the months of June, July, and August 1964, with an accompanying narrative report and maps.

The vouchers have been checked in this office and payment of the Government's participation is recommended on the basis as shown on the attached sheet.

Paul V. Fillo

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

OFFICIAL FILE COPY

10/13 625 800
120
120

June Voucher

	Size	distance	Cost
Drill Hole No. 1	NX	17 ft. @ $6.75/ft. =	$ 114.75
	BX	226 ft. @ 5.00/ft. =	1130.00
	AX	15 ft. @ 4.00/ft. =	60.00
		258 ft. =	$1304.75

July Voucher

Drill Hole No. 1	AX	44 ft. @ 4.00/ft. =	$ 176.00
Drill Hole No. 2	NX	10 ft. @ 6.75/ft. =	67.50
	BX	175 ft. @ 5.00/ft. =	875.00
Drill Hole No. 3	BX	209 ft. @ 5.00/ft. =	1045.00
Drill Hole No. 4	BX	39 ft. @ 5.00/ft. =	195.00
		477 ft. =	$2358.50

August Voucher

Drill Hole No. 4	BX	41 ft. @ 5.00/ft. =	$ 205.00
	AX	5 ft. @ 4.00/ft. =	20.00
Drill Hole No. 5	BX	19 ft. @ 5.00/ft. =	95.00
		65 ft.	$ 320.00

500

3983.25

Approved Costs
San Simeon Keystone, Inc.
OAE - 6160

	Per Report of Review 7/16/64	June 1964	July 1964	August 1964	Totals
Drilling, non care 1357' @ $1.50	$ 2,035.50				$ 2,035.50
Drilling*, underground 255'		$ 1,304.75			1,304.75
" " 477'			$ 2,353.50		2,353.50
" " 65'				$ 320.00	
Transportation of drill & equip.		75.00		75.00	150.00
Drain pipe	79.56				79.56
Reaming				20.90	20.90
Fixed Unit Costs					
Bulldozing road, 38 hours @ $14.00	532.00				532.00
Bulldozing dam, etc. 45 hours @ $14.00	630.00				630.00
Spring, dam, and water system	175.00				175.00
Incidental Allowance, 1357' @ $0.84	1,139.88				1,139.88
" " 258' @ $0.84		216.72			216.72
" " 477' @ $0.84			400.68		400.68
" " 65' @ $0.84				54.60	54.60
Totals	$ 4,591.94	$ 1,596.47	$ 2,759.18	$ 470.50	$ 9,418.09
Government Participation					4,709.05
Amount Paid					2,295.97
Amount Due Operator					$ 2,413.08

* See attached statement prepared by Acting Field Officer, Region II, San Francisco

OFFICIAL FILE COPY

MME FORM-60
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

Docket No. 6168
Contract No.
14-23-090- 2157
Contract Amount $ 45,388.50
Gov't. Participation % 50 $ 22,694.25
Mineral(s) Mercury

OPERATOR'S MONTHLY VOUCHER

For Month of August, 1964

Operator's Name San Simeon Keystone, Inc
Address 915 Helm Bldg. , Fresno, Calif.

COST CATEGORIES	FOR OPERATOR'S USE			FOR GOVERNMENT APPROVAL ONLY		
	MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE	MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE
Fixed Unit Costs and						
(1) Independent Contracts:						
Bulldozing		1,162.00	✓ 1,162.00		1,162.00	1,162.00
Mobilization & Demobilization	875.00	875.00	✓ 1,750.00	75.00	75.00	150.00
Reaming	20.90		✓ 20.90	20.90	—	20.90
Drilling Core Drilling	1433.13	3,500.00	✓ 4,933.13			
NX Core	198.00	943.00	✓ 1,141.00	320.00	3,663.25	3,983.25
BX Core	440.00	2,680.00	✓ 3,120.00			
AX Core	648.00	226.00	✓ 874.00			
Non Core	-0-	2,035.50	✓ 2,035.50		2,035.50	2,035.50
(2) Personal Services:						
Supervision & Technical		1,236.96	1,236.96			
Outside Consultants	142.21	1,000.00	1,142.21			
Labor	530.00	1,000.00	1,530.00			
(3) Operating Mat'l. & Supplies:						
Timber		545.57	545.57			
Explosives		32.00	32.00			
Pipe		62.50	62.50			
Rail						
(4) Operating Equipment:						
Rental		520.00	520.00			
Purchase						
Depreciation						
(5) Initial Rehab. & Repairs:						
Buildings, Fixtures, etc.						
Operating Equipment						
(6) New Buildings, Fixtures, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Maintenance Work Spring Dam & Water		175.00	✓ 175.00		175.00	175.00
Payroll Taxes Drain Pipe		79.56	✓ 79.56		79.56	79.56
Employee's Liability Ins.		750.00	750.00			
Assays		56.00	56.00			
Core Boxes	30.50	52.70	83.20			
Incidental Allow.		1,139.88	1,139.88	54.60	1,757.28	1,811.88
TOTALS	4,317.74	18,072.47	22,390.21	470.50	8,947.59	9,418.09

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

Date Oct 2, 1964 *Payee San Simeon Keystone Inc By W D Lovig VP & Gen Mgr

Per W D Lovig Title Pres & Gen Mgr

* 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.

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

(INSTRUCTIONS ON REVERSE)

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

$ 235 25

Signature BALB
(Authorized Certifying Officer)

Date 10/24/64 Vou. No.

(SEE OTHER SIDE)

Certification by Government Representative:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating an exploration project in accordance with the terms of Contract No. 2157

Signature Paul V. Fillo Title Acting Field Officer Date Oct. 12-1964

Approved by OME Executive Officer or Alternate: OME Regional

Signature Paul V. Fillo Title Acting Field Officer Date Oct. 12-1964

OPERATOR'S MONTHLY REPORT

The Operator, under an Office of Minerals Exploration contract, is required to report monthly to the Government. The report consists of three parts.

FIRST, the Operator's Monthly Voucher on MME Form 60 listing the project costs incurred and claimed by the Operator is the voucher basis for payment of the Government's share of the cost.

SECOND, the Operator's Progress Report on MME Form 61 is a statistical report of the units and cost of of work performed under the contract.

THIRD, the Operator's Narrative Report is a concise description of the work performed, results accomplished, and any unusual situations encountered, illustrated and supported by engineering-geological maps or sketches, drill hole logs, assay reports, etc., as pertinent.

The Operator submits the original and four copies of each of the three sections of this report to the OME regional Executive Officer at the end of each month during the life of the contract.

PREPARATION OF OPERATOR'S MONTHLY VOUCHER, MME FORM 60

After all applicable spaces are filled in, the Operator or his agent must sign the certification in the lower left corner. Categories (2) through (7) apply to "Actual Cost" contracts only.

Under "Fixed Unit Costs" and Category (1) report, (a) the total fixed unit costs of work performed under contract provisions for contribution by the Government on a basis of "fixed unit costs"; and (b) the claimed costs of work performed on a unit-price basis by independent contractors.

Under Category (2) include the claimed costs of all payrolled and invoiced supervisory, technical, and labor personnel, except the costs for services applicable to Categories (5) and (6).

Under Category (3) include the claimed costs of all project materials and supplies other than those used for work under Categories (5) and (6).

Under Category (4) report claimed rentals on equipment belonging to a third party, claimed payments or obligations for payments on the Operator's purchase of equipment, and claimed depreciation for the use of Operator-owned equipment.

Under Categories (5) and (6) include all claimed costs of labor, supervision, technical services, operating materials and supplies, and all other items used in (5) the initial rehabilitation and repairs of existing buildings, fixtures, installations (exclusive of mine workings), and operating equipment; and (6) the installation or construction of new buildings, fixtures, and fixed improvements (exclusive of mine workings). Do not report these costs under Categories (2), (3), (4), and (7).

Under Category (7) include all miscellaneous claimed costs such as repairs (other than initial) and maintenance of equipment, sampling and analysis, travel, communication, accounting, office expenses, and the Operator's share of payroll taxes and insurance.

Except for amounts claimed under "fixed unit costs" provisions of the contract, all costs claimed in this voucher must be supported by documentary evidence consisting of: (a) certified copies or transcripts of payrolls which list each employee, wage rate, period of employment, gross earnings, itemized deductions, and net earnings; (b) original or certified copies of invoices, statements of accounts, or purchase orders which indicate items of materials or services, quantities, unit prices, total charges, and payment terms; and (c) certified memoranda of the Operator for such items as depreciation of Operator-owned equipment, unemployment taxes, and employee's liability insurance. The certification may be stated thus, "Certified True Copy (or Transcript)", followed by the signature of the Operator or his agent. One copy of each document should accompany the original of this voucher.

The requirement for submitting documentary evidence of claimed costs may be waived by the OME regional Executive Officer if he determines that it is impracticable for an Operator to submit this material. In any case of waiver of this requirement an "on-site" audit by an OME auditor is mandatory prior to payment of the final Operator's Monthly Voucher.

MME FORM 61
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OPERATOR'S PROGRESS REPORT For Month of August, 1964 Docket No. 6160

Operator's Name San Simeon Keystone, Inc. Contract No. 14-23-090-2157

OPERATION	UNITS	FOR OPERATOR'S USE: UNITS THIS MONTH	UNITS TO DATE	COSTS TO DATE	FOR GOVERNMENT USE: APPROVED UNITS THIS MONTH	APPROVED UNITS TO DATE	APPROVED COSTS TO DATE
Drifting							
Crosscutting							
Raising							
Shafts							
Winzes							
Other Underground Reaming		11'	11'	20.90	11	11	38.50
Drilling, Core-Diamond		280'	1,015'	17,777.37	65	800	3983.25
Allowance Rotary					65	800	672.00
Drilling, Non-core-Diamond							
Rotary		none	1,257'	3,175.38		1257	3175.38
Churn							
Percussion							
Miscellaneous Drain Pipe				79.56			79.56
Spring, Dam, & Water				175.00			175.00
Roads and Trails			83 Hrs.	1,162.00			1162.00
Stripping							
Trenching							
Test Pitting							
Other Surface Work Demobilization							150.00
Initial Rehabilitation and Repairs							
Rehabilitation of Mine Workings							
New Buildings, Fixtures, etc.							
Operating Equipment Purchases							
Analytical Work							
TOTAL TO DATE (per MME Form 60)				23,390.21			9435.69

REMARKS

(Continue on back)

REMARKS

(Continue on back)

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 Oct 1, 1964 Operator San Simeon Keystone Inc

Per W A Savage Title Vice Pres & Gen Mgr

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

I certify that the information above is complete and accurate to the best of my knowledge and belief.

Signature Paul V. Fiske

Title Acting Field Officer

Government Representative

Date OMR Region II October 12-1964

(INSTRUCTIONS ON REVERSE)

REMARKS *(Cont.)*

REMARKS *(Cont.)*

INSTRUCTIONS FOR PREPARING OPERATOR'S PROGRESS REPORT, MME FORM 61

This report is the second of the three parts of the Operator's Monthly Report. Submit the original and four copies.

The cost for each operation should be the total of all claimed costs attributable to that type of work with two exceptions, namely—operating equipment purchased and analytical work which are stated separately. For example, drifting costs should be the total of all costs chargeable to drifting including supervision, technical services, timbering (if any), etc. Similarly, drilling costs should include the cost of cementing, reaming, core boxes, etc. This procedure of distribution holds whether the contract was written on an actual cost or a unit cost basis, or some combination of the two. Distribute the cost of such general items as supervision, equipment rented, etc. according to relative footages or on some other conventional basis. The item "Initial Rehabilitation and Repairs" covers all rehabilitation and/or repairs other than the rehabilitation of mine workings.

The item titled "Drilling, Non-core Percussion" includes all drilling performed with wagon, jack-hammer, stoper and mounted drills. The several items labelled "Other" are provided to take care of particular exploration operations not specified on this form.

INT.DUP.,D.C.59- 61577

NEW IDRIA MINING AND CHEMICAL COMPANY

HOLE NO. 4 DATE STARTED: August, 1964 DRILLER: Boyles Bros.
LOCATION: Keystone Mine Adit Level BEARING: N. 20 E.
COORDINATES: 403 N 382 W (1" = 40' Map, Ary-Ward 7-14-64) VERT. ANGLE: -37°
REASON FOR HOLE: Check inferred min. ss lens. ELEV. COLLAR: Track level.

DRILL SIZE	FOOTAGE From	- To	INCHES CORED	INCHES RECOVERED	DESCRIPTION
BX	0'	7'	84"	60"	All silica-carbonate w/1/8-1/2" white CO_3 veins, minor dissiminated HgS ~~throught~~ thru out some FeS_2
"	7	20'	156"	96"	All silica carb. w/abndt FeS_2 blebs no HgS @approx 18' have 6" of mineralized black sh or gouge.
"	20'	31'	132"	96"	All hard mineralized black sh or gouge, (contorted) cut by networks of small CO_3 veinlets some frag. sh, movement by shears, abnt small FeS_2 ~~stringers~~ definite soft black gouge @ 30' no HgS
"	31'	41'	120"	90"	All med-coarse grained gray dense ss. w/little gouge at 32' ss is cut by few small sh partings which show some movement. Some FeS_2 No HgS.
"	41'	54'	156"	126"	1' contorted black sh 8' soft black gouge, 4' of gouged & contorted ss & sh, cut by networks of CO_3 veinlets some FeS_2 & white soft alteration material (poss. form SiO_2) No HgS
"	54'	66'	144"	96"	9' contorted & gouged sh as above, 2' white hard contorted material highly mineralized w/FeS_2 1" black gouge
"	66'	80'	168"	72"	Contorted sh, ss, & white material as above. abnt. FeS_2 & some dark green (chloritization?) in white material No HgS.
AX	80'	85'	60"	36"	(Lost circulation at approximately 82+ feet) Same as above.

END HOLE NO. 4

NEVADRIA MINING AND CHEMICAL COMPANY

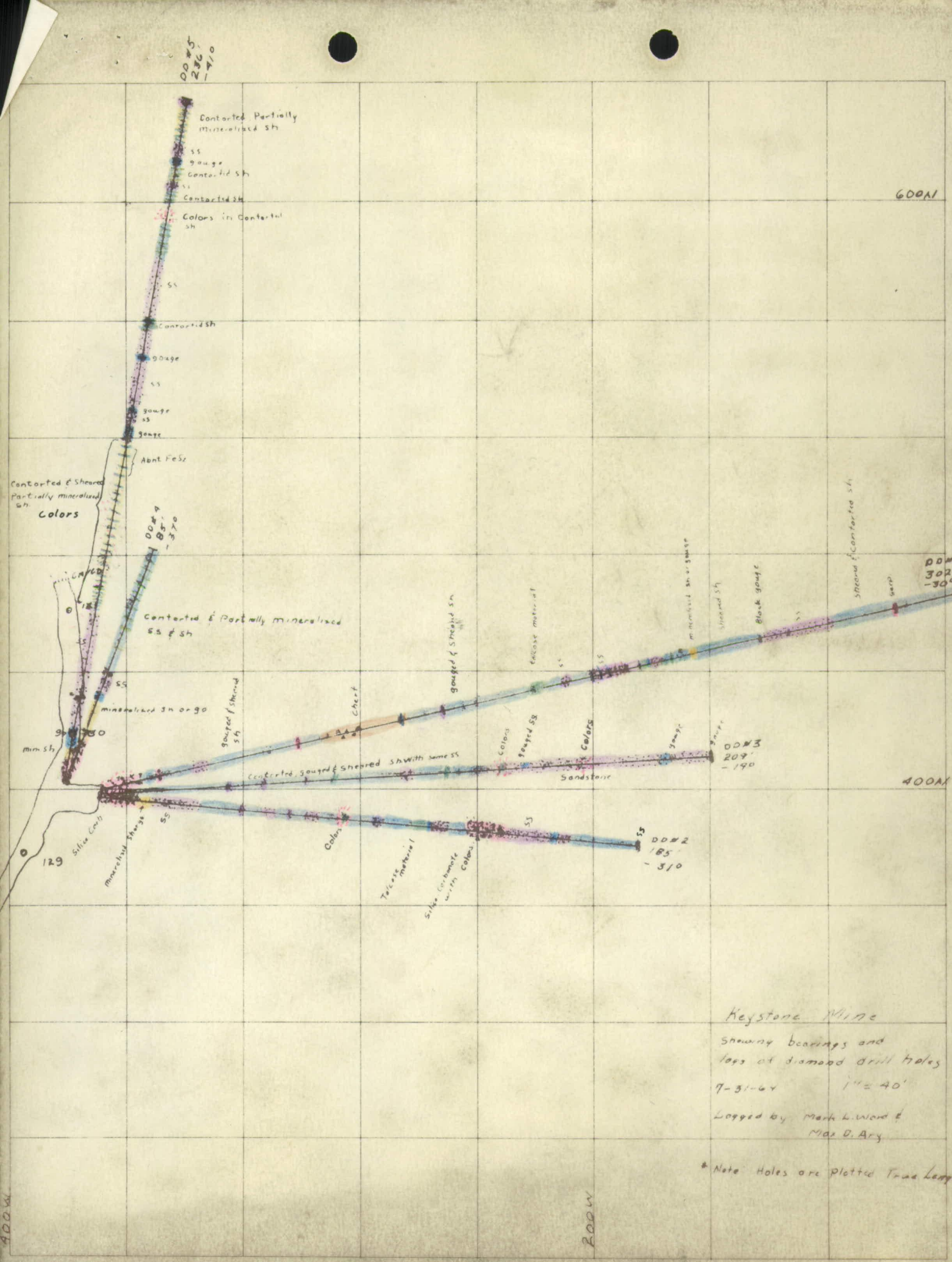
HOLE NO. 5 DATE STARTED: August, 1964 DRILLER: Boyles Bros.
LOCATION: Keystone Mine Adit Level BEARING: 10 N.
COORDINATES: 403 N 385 W (1"=40' Map, Ary-Ward 7-14-64) VERT. ANGLE: -41°
REASON FOR HOLE: Check inferred min. ss lens. ELEV. COLLAR: Track level.

DRILL SIZE	FOOTAGE From	- To	INCHES CORED	INCHES RECOVERED	DESCRIPTION
BX	0'	[illegible]	120"	60"	8' silica-carb w/abnt FeS_2 but no HgS. 2' hard mineralized black sh or gouge.
"	10'	19'	108"	78"	2' hard mineralized sh or gouge. 7' soft black gouge. No colors.
"	19'	27'	96"	80"	All med-very coarse grained gray-light gray poorly sorted ss.
"	27'	37'	120"	108"	3' broken & gouged ss, 7' ss as above w/few small FeS_2 stringers & few sh partings.
"	37'	48'	132"	105"	All ss as above.
"	48'	56'	96"	78"	Same as above.
"	56'	65'	108"	96"	2' ss as above. 5' contorted & slightly gouged black sh w/some FeS_2 & cut by small CO_3 veins 1' crse. gr. ss as before.
"	65'	76'	132"	108"	All gouged & contorted black sh w/some ss & blebs of ss in sh. abnt FeS_2 & networks of small CO_3 veinlets the CO_3 veinlets carry blebs & grains of HgS. Definite gouge @ approx. 68'.
"	76'	79'	36"	24"	3' contorted black sh w/some ss, CO_3 stringers have HgS & FeS_2
AX	79'	101'	164"	78"	All contorted & brecciated black sh w/some ss, cut by CO_3 veinlets. The CO_3 veinlets carry HgS. disseminated in vein. abndt small blebs of soft blue green material, abnt FeS_2 from 82' to 100' (Panned interval from 84' to 90' got 1" tail HgS in 6" pan)
"	101'	118'	204"	96"	Contorted & brecciated sh w/ss as above. No apparent colors in core, abnt FeS_2
"	118'	128'	120"	108"	7' gouge & gouged sh. & ss, w/some FeS_2, 3' gray med. gr. ss. No colors, some FeS_2
"	128'	139'	132"	108"	2' black contorted & gouged sh, 9' med-crse. gr. poorly sorted ss w/abnt black sh chips giving ss a mottled appearance, little FeS_2, No Hgs.

NEW IDRIA MINING AND CHEMICAL COMPANY

DRILL SIZE	FOOTAGE From	- To	INCHES CORED	INCHES RECOVERED	DESCRIPTION
AX	139'	151'	144"	108"	6' gray crse. gr. poorly sorted ss as above. 2' gouged ss & sh, 4' ss as before.
"	151'	161'	120"	108"	4' ss as above. 6' gouged & contorted black sh, w/some ss. cut by CO_3. some chloritization. minor FeS_2. No HgS.
"	161'	172'	132"	108"	All med-crse. gr. poorly sorted gray ss, w/black sh. partings.
"	172'	182'	120"	108"	Same as above. Minor FeS_2.
"	182'	193'	132"	108"	1' ss as above. 10' gouged, contorted & brecciated sh. cut by CO_3 veinlets, minor FeS_2, No colors.
"	193'	203'	120"	96"	Contorted sh. as above. Minor HgS @ 195'.
"	203'	213'	120"	108"	3' contorted sh. as above, 2' med gr. gray ss, 5' contorted sh. as before.
"	213'	224"	132"	108"	3' soft gouge, 5' med gr. light gry. ss, 3' contorted & brecciated black sh. w/abnt inclusion of ss frag, minor FeS_2. No HgS.
"	224'	236'	144"	108"	10' contorted & brecciated sh. as above. 2' med. gr. light gray ss.

END HOLE NO. 5



Keystone Mine

Showing bearings and logs of diamond drill holes

7-31-64 1" = 40'

Logged by Mark L. Ward & Max D. Ary

* Note Holes are Plotted True Length.

ALBANENE NO. 195M K & E CO., N.Y.

NEW IDRIA MINING AND CHEMICAL COMPANY

IDRIA, SAN BENITO COUNTY, CALIFORNIA

Telephone: New Idria Number One

[illegible] 1, 1964

Mr. H. [illegible]
San Joaquin [illegible] Inc.
915 Helm [illegible]
Fresno, [illegible]

Dear Mr. [illegible]

I am sending [illegible] plotted to scale [illegible] cross sections thru the hole [illegible] than the plan map. Also enclosed [illegible] number 4 and 5.

The following [illegible] number of core boxes [illegible]

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible] 4	[illegible]
[illegible] 5	[illegible]

I have ordered the photo index sheets for the [illegible] area, they should be here soon. From the index sheets we can select the photos needed for mapping.

Mark and I plan to start mapping on the [illegible] of September, if that is satisfactory with you.

Very truly yours,

NEW IDRIA MINING AND CHEMICAL COMPANY

Max D. [illegible]

[illegible]

Encl: [illegible]

MDA/rc

OFFICIAL FILE COPY
O. M. E
RECEIVED OCT 28 1964
DATE | INITIAL | CODE

MME FORM 60
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

Docket No. 6168
Contract No. 14-23-090-2157
Contract Amount $ 45,388.50
Gov't. Participation % 50 $ 22,694.25
Mineral(s) Mercury

OPERATOR'S MONTHLY VOUCHER

For Month of JULY, 1964

Operator's Name SAN SIMEON KEYSTONE, INC.
Address 915 Helm Bldg. Fresno, California

COST CATEGORIES	FOR OPERATOR'S USE			FOR GOVERNMENT APPROVAL ONLY		
	MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE	MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE
Fixed Unit Costs and						
(1) Independent Contracts:						
Bulldozing Mobilization		1,162.00	1,162.00		1,162.00	1,162.00
~~Drilling~~ Demolization		875.00	875.00		75.00	75.00
~~Crosscutting~~ Core Drilling	3,500.00		3,500.00			
Drilling NX Core	679.80	264.00	943.80			
BX Core	1,660.00	1,020.00	2,680.00			
AX Core	160.00	56.00	216.00	2,358.50	1,304.75	3,663.25
AX core (over 300')	10.00		10.00			
Non-Core		2,035.50	2,035.50		2,035.50	2,035.50
(2) Personal Services:						
Supervision & Technical	756.96	480.00	1,236.96			
Outside Consultants	500.00	500.00	1,000.00			
Labor	520.00	480.00	1,000.00			
(3) Operating Mat'l. & Supplies:						
Timber	385.57	160.00	545.57			
Explosives		32.00	32.00			
Pipe		62.50	62.50			
Rail						
(4) Operating Equipment:						
Rental	205.00	315.00	520.00			
Purchase						
Depreciation						
(5) Initial Rehab. & Repairs:						
Buildings, Fixtures, etc.						
Operating Equipment						
(6) New Buildings, Fixtures, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Analytical Work						
~~Payroll Taxes~~ Drain Pipe		79.56	79.56		79.56	79.56
Employee's Liability Ins.		750.00	750.00			
Assays		56.00	56.00			
Core Boxes	34.00	18.70	52.70			
Spring, Dam, & Water		175.00	175.00		175.00	175.00
Incidental Allow.		1,139.88	1,139.88	400.68	1,356.60	1,757.28
TOTALS	8,411.33	9,661.14	18,072.47	2,759.18	6,188.41	8,947.59

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

Date Sept 3-1964 *Payee San Simeon Keystone Inc

Per H A Savage Title Vice Pres & Gen Mgr

* 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.

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

(INSTRUCTIONS ON REVERSE)

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

$ 1,379.59

Signature BMB
(Authorized Certifying Officer)

Date 10/25/64 Vou. No.

(SEE OTHER SIDE)

Certification by Government Representative:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating an exploration project in accordance with the terms of Contract No. 257

Signature Paul V. Zillo Title Acting Field Officer Date Oct. 12-1964

Approved by OME Executive Officer or Alternate:

Signature Paul V. Zillo Title OME Region II Acting Field Officer Date Oct. 12-1964

OPERATOR'S MONTHLY REPORT

The Operator, under an Office of Minerals Exploration contract, is required to report monthly to the Government. The report consists of three parts.

FIRST, the Operator's Monthly Voucher on MME Form 60 listing the project costs incurred and claimed by the Operator is the voucher basis for payment of the Government's share of the cost.

SECOND, the Operator's Progress Report on MME Form 61 is a statistical report of the units and cost of of work performed under the contract.

THIRD, the Operator's Narrative Report is a concise description of the work performed, results accomplished, and any unusual situations encountered, illustrated and supported by engineering-geological maps or sketches, drill hole logs, assay reports, etc., as pertinent.

The Operator submits the original and four copies of each of the three sections of this report to the OME regional Executive Officer at the end of each month during the life of the contract.

PREPARATION OF OPERATOR'S MONTHLY VOUCHER, MME FORM 60

After all applicable spaces are filled in, the Operator or his agent must sign the certification in the lower left corner. Categories (2) through (7) apply to "Actual Cost" contracts only.

Under "Fixed Unit Costs" and Category (1) report, (a) the total fixed unit costs of work performed under contract provisions for contribution by the Government on a basis of "fixed unit costs"; and (b) the claimed costs of work performed on a unit-price basis by independent contractors.

Under Category (2) include the claimed costs of all payrolled and invoiced supervisory, technical, and labor personnel, except the costs for services applicable to Categories (5) and (6).

Under Category (3) include the claimed costs of all project materials and supplies other than those used for work under Categories (5) and (6).

Under Category (4) report claimed rentals on equipment belonging to a third party, claimed payments or obligations for payments on the Operator's purchase of equipment, and claimed depreciation for the use of Operator-owned equipment.

Under Categories (5) and (6) include all claimed costs of labor, supervision, technical services, operating materials and supplies, and all other items used in (5) the initial rehabilitation and repairs of existing buildings, fixtures, installations (exclusive of mine workings), and operating equipment; and (6) the installation or construction of new buildings, fixtures, and fixed improvements (exclusive of mine workings). Do not report these costs under Categories (2), (3), (4), and (7).

Under Category (7) include all miscellaneous claimed costs such as repairs (other than initial) and maintenance of equipment, sampling and analysis, travel, communication, accounting, office expenses, and the Operator's share of payroll taxes and insurance.

Except for amounts claimed under "fixed unit costs" provisions of the contract, all costs claimed in this voucher must be supported by documentary evidence consisting of: (a) certified copies or transcripts of payrolls which list each employee, wage rate, period of employment, gross earnings, itemized deductions, and net earnings; (b) original or certified copies of invoices, statements of accounts, or purchase orders which indicate items of materials or services, quantities, unit prices, total charges, and payment terms; and (c) certified memoranda of the Operator for such items as depreciation of Operator-owned equipment, unemployment taxes, and employee's liability insurance. The certification may be stated thus, "Certified True Copy (or Transcript)", followed by the signature of the Operator or his agent. One copy of each document should accompany the original of this voucher.

The requirement for submitting documentary evidence of claimed costs may be waived by the OME regional Executive Officer if he determines that it is impracticable for an Operator to submit this material. In any case of waiver of this requirement an "on-site" audit by an OME auditor is mandatory prior to payment of the final Operator's Monthly Voucher.

INT.DUP.,D.C.59- 61579

MME FORM 61
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OPERATOR'S PROGRESS REPORT For Month of JULY , 1964 Docket No. 6168

Operator's Name San Simeon Keystone, Inc. Contract No. 14-23-090- 2157

OPERATION	UNITS	FOR OPERATOR'S USE: UNITS THIS MONTH	UNITS TO DATE	COSTS TO DATE	FOR GOVERNMENT USE: APPROVED UNITS THIS MONTH	APPROVED UNITS TO DATE	APPROVED COSTS TO DATE
Drifting							
Crosscutting							
Raising							
Shafts							
Winzes							
Other Underground							3663.25
Drilling, Core-Diamond		477'	735'	13,480.53	477	735	~~2354.50~~
~~Rotary~~ Allowance					477	735	617.40
Drilling, Non-core-Diamond							
Rotary		none	1,257'	3,175.38		1257	3,175.38
Churn							
Percussion							
Miscellaneous Drain Pipe				79.56			79.56
Spping, Dam, & Water				175.00			175.00
Roads and Trails			83hrs.	1,162.00			1162.00
Stripping							
Trenching							
Test Pitting							
Other Surface Work							75.00
Initial Rehabilitation and Repairs							
Rehabilitation of Mine Workings							
New Buildings, Fixtures, etc.							
Operating Equipment Purchases							
Analytical Work							
TOTAL TO DATE (per MME Form 60)				18,972.47			8947.50

REMARKS
See attached letter of transmission of documents

(Continue on back)

REMARKS

(Continue on back)

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

Date Sept 3-1964 Operator San Simeon Keystone Inc

Per W Savage Title Vice Pres Exploration Mgr

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

I certify that the information above is complete and accurate to the best of my knowledge and belief.

Signature Paul V. Fillo

Title Acting Field Officer
OMR Government Representative

Date Region II October 12-1964

(INSTRUCTIONS ON REVERSE)

REMARKS *(Cont.)*

REMARKS *(Cont.)*

INSTRUCTIONS FOR PREPARING OPERATOR'S PROGRESS REPORT, MME FORM 61

This report is the second of the three parts of the Operator's Monthly Report. Submit the original and four copies.

The cost for each operation should be the total of all claimed costs attributable to that type of work with two exceptions, namely—operating equipment purchased and analytical work which are stated separately. For example, drifting costs should be the total of all costs chargeable to drifting including supervision, technical services, timbering (if any), etc. Similarly, drilling costs should include the cost of cementing, reaming, core boxes, etc. This procedure of distribution holds whether the contract was written on an actual cost or a unit cost basis, or some combination of the two. Distribute the cost of such general items as supervision, equipment rented, etc. according to relative footages or on some other conventional basis. The item "Initial Rehabilitation and Repairs" covers all rehabilitation and/or repairs other than the rehabilitation of mine workings.

The item titled "Drilling, Non-core Percussion" includes all drilling performed with wagon, jack-hammer, stoper and mounted drills. The several items labelled "Other" are provided to take care of particular exploration operations not specified on this form.

NEW IDRIA MINING AND CHEMICAL COMPANY

HOLE NO: 2 DATE STARTED: July, 1964 DRILLER: Boyles Bros.
LOCATION: Keystone Mine, Adit Level. BEARING: S. 85 E
COORDINATES: 396.5'N 370.5'W (1"=40' Map, Ary - Ward 7/14/64) Vert. ANGLE: -31
REASON FOR HOLE: Check inferred min. ss lens. ELEV. COLLAR: Track Level

DRILL SIZE	FOOTAGE From	- To	INCHES CORED	INCHES RECOVERED	DESCRIPTION
NX	0	6'	72"	65"	65" silicacarbonate w/sparce diss. XLS of HgS thruout length of core, numerous xls pyrite.
"	6	10'	48"	42"	Same as above.
BX	10	14'	48"	46"	42" same as above, 4" hard blk min. shale & silica carbonate w/numerour pyrite & CO_3 veinlets. No colors.
"	14	29'	180"	84"	32" blk hd to med hd gouged shale w/blebs of green silica carbonate & qtz, many stringers & xls of pyrite, few gr. of HgS 52" slightly brecciated & contorted blk siltstone & light gry med gr. ss, grading into more ss near end of core - has abn't pyrite stringers & xls, numerous qtz veinlets.
"	29	38"	108"	90"	65" slightly contorted light gry ss & blk siltstone, 25" blk gouge w/blebs green (serpentine)? numerous pyrite veinlets thru entire core, including go.
"	38	43'	60"	60"	100% blk gouge.
"	43	54'	132"	109"	100% blk gouge w/about 8" fine to med gr. drk. gry. ss near middle of core - indicating ss boulder in go.
"	54	60'	72"	58"	19" 100% blk go., 39" light to dk. gry fine-med. gr. ss. partially gouged, (Probable boulder in gouge.)
"	60	70'	120"	102"	Same as above w/slightly more ss., some pyrite.
"	70	79'	108"	96"	72" silghtly contorted med gr. light gry. ss w/numerous small veins of pyrite, 12" gouge w/blebs of gry ss & green Material (serp?)

DRILL SIZE	FOOTAGE From	- To	INCHES CORED	INCHES RECOVERED	DESCRIPTION
BX	79	84'	60"	58"	21" gouge w/blebs green material & ss, 37" light green partially altered serp. cut by numerous small veinlets of CO_3 & qtz. The veins carry some HgS. One veinlet has numerous gr. of HgS @ 83'. Part of core is a white soft (talcose) bleached rock.
"	84	93'	108"	60"	20" light tan-white talcose material as above, numerous small gr. CO_3 & qtz. no colors 40" gouged serp., ss, & sh.
"	93	98'	60"	60"	16" contorted siltstone & ss 34" white poorly sorted ss 12" gouged ss w/blebs serp.
"	98	107'	108"	49"	39" brecciated & contorted sh & ss med hd. w/abn't very small CO_3 veinlets, 10" soft white sandy poorly sorted rock.
"	107	115'	96"	90"	71" white (mudstone)? soft w/some blebs qtz & few small (1/16") pebbles. 19" partially gouged & contorted siltstone & ss.
"	115	125'	120"	48"	20" light colored ss, soft w/small pebbles, 28" gouged sh & ss.
"	125	130'	60"	50"	100% silica carb. shot thru w/veinlets of CO_3 & qtz. numerous small veinlets of HgS and abn't diss. HgS Xls.
"	[illegible]	135'	60"	52"	100% light green silica carb. w/CO_3 & SiO_2 veinlets. Abn't diss. HgS throughout core w/few veinlets HgS.
"	135	144'	108"	92"	18" silica carb. w/HgS as above. 25" gouged & contorted ss. 49" med gr. gry ss.
"	144	150'	72"	60"	100% light gry med-coarse gr ss. cut by few calcite stringers.
"	150	160'	120"	95"	40" same as above, but with numerous sh partings. 31" gouged ss as above. 24" fine gr. poorly sorted, light gry ss w/subrounded gr., numerous CO_3 veinlets.
"	160	170'	120"	108"	4" ss as above, 104" gouge & gouged ss.
"	170	180'	120"	110"	100% gouge. The gouge has greenish tint. May be gouged serp. of Jfsh.

DRILL SIZE	FOOTAGE From - To		INCHES CORED	INCHES RECOVERED	DESCRIPTION
BX	180	185'	60"	53"	45" gouge as above. 8" med-coarse gr light gry ss.

END HOLE #2

HOLE NO. 3 DATE STARTED: July, 1964 DRILLER: Boyles Bros.
LOCATION: Keystone Mine, Adit Level BEARING: N 86° E
COORDINATES: 396.5'N 370.5'W (1"=40' Map, Ary & Ward) VERTICAL ANGLE: -14°
REASON FOR HOLE: Check inferred min. as lens. ELEV. COLLAR: Track level

DRILL SIZE	FOOTAGE From	- To	INCHES CORED	INCHES RECOVERED	DESCRIPTION
BX	0	10'	120"	108"	98" silica carb w/poor colors overall, HgS occurs as small stringers & dissemination. Abn't FeS_2 in parts of core. 10" of Blk gouge.
"	10	20'	120"	115"	All gouged & contorted, blkish w/some green inclusions.
"	20	35'	210"	190"	All gouged & contorted Blk. sh & gry ss mostly contorted sh w/grn inclusions (chloritization)
"	35	56'	252"	210"	All as above w/except. of minor FeS_2 XYLs.
"	56	78'	264"	204"	All gouged & contorted sh & ss as above. Note, the material is cut by numerous small CO_3 veins which seem to follow the slippage or fract. veins.
"	78	102'	288"	191"	22" white soft material w/inclusions of light grn. blebs cut by networks of small CO_3 veins which appear to carry minor FeS_2. 159" of gouged and contorted sh & ss cut by networks of CO_3 veins, minor FeS_2
"	102	118'	192"	156"	50" light gry med ang. grained ss w/small blk. sh partings. 86" blk contorted & gouged sh & ss with some grn. chlorite? inclusions.
"	118	128'	120"	101"	32" contorte & gouged sh & ss., 14" white thlocose material; 55" of blk. gouge w/some brecciated sh frag.
"	128	138'	120"	107"	68" gouge as above; 4" very fine gr. ss. w/abn't small calcite XLYS; material is soft, the small CO_3 veins cutting the core carry numerous gr. HgS 12" blk med. hd. sh or hdened gouge w/small partings of white soft material some FeS_2. 9" light gry. very fine gr. ss or siltstone w/abn't soft angular clear XYLS prob. calcite cut by small CO_3 veins which carry HgS, also numerous disseminated gr. HgS. Pan sludge from 133-138 had few gr. HgS w/½" tail FeS_2. 18" fine gr. gry. ss w/blk sh partings.

NEW IDRIA MINING AND CHEMICAL COMPANY

Hole No. / DATE STARTED: August, 1954 DRILLER: Hoyles Bros.
DRILL FOOTAGE INCHES INCHES BEARING DESCRIPTION
SIZE: From - To CORED (RECOVERED) Up, Dry-Ward 7-14-54 DATE: [illegible]
[illegible] Break inference [illegible] ELEV. [illegible]

BX	138	145'	120"	115"	15" gouged gry co. 10" lt. gry. med gr. co. 90" gry. med gr. partially gouged co. Pannings from 130-142 ½" FeS_2 w/1-2 gr. HgS.
DRILL SIZE	FOOTAGE From	- To	INCHES CORED	INCHES RECOVERED	
"	140	159'	132"	106"	45" gouged med. gr. co., 30" blk. gouge or gouged ch. 33" lt. gry. med. gr. co w/blk. ch partings.
"	7	20'	156"	96"	All silica carb. w/[illegible]
"	159	167'	96"	90"	40" gry. med. gr. co w/ch partings. 50" gry. med. coarse gr. co. cut by few CO_3 veins which carry minor amts. HgS.
"	20'	31'	132"	96"	All [illegible]
"	167	177'	120"	114"	All med. gr. lt. gry. co. cut by numerous CO_3 stringers cont. FeS_2. No colors.
"	177	182'	60"	55"	Same as above.
"	31'	41'	120"	90"	All med-coarse [illegible]
"	182	192'	120"	106"	Lt. gry. med. coarse gr. co, slightly frac. & w/numerous blk. ch. partings.
"	41'	54'	156"	126"	[illegible]
"	192	204'	144"	103"	20" gry. frac. co., 31" blk. gouge. 52" frac. med. coarse gr. gry. co. no colors.
"	204	209'	60"	45"	33" med. coarse gr. gry. co. cut by numerous CO_3 stringers, 12" blk. gouge.
"	[illegible]	[illegible]	114"	96"	[illegible]
"	[illegible]	[illegible]	156"	[illegible]	MUD HOLE #3 [illegible]
AX	[illegible]	[illegible]	[illegible]	[illegible]	(Test circulation [illegible] same as above.

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O. M. E
RECEIVED 1964
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NEW IDRIA MINING AND CHEMICAL COMPANY

HOLE NO. 4 DATE STARTED: August, 1964 DRILLER: Boyles Bros.
LOCATION: Keystone Mine Adit Level BEARING: N. 20 E.
COORDINATES: 403 N 382 W (1" = 40' Map, Ary-Ward 7-14-64) VERT. ANGLE: -37°
REASON FOR HOLE: Check inferred min. ss lens. ELEV. COLLAR: Track level.

DRILL SIZE	FOOTAGE From - To	INCHES CORED	INCHES RECOVERED	DESCRIPTION
BX	0' 7'	84"	60"	All silica-carbonate w/1/8-1/2" white CO_3 veins, minor dissiminated HgS ~~throught~~ thru out, some FeS_2
"	7 20'	156"	96"	All silica carb. w/abndt FeS_2 blebs no HgS @appros 18' have 6" of mineralized black sh or gouge.
"	20' 31'	132"	96"	All hard mineralized black sh or gouge, (contorted) cut by networks of small CO_3 veinlets. some frag. sh, movement by shears, abnt small FeS_2 stringers definite soft black gouge @ 30' no HgS
"	31' 41'	120"	90"	All med-coarse grained gray dense ss. w/little gouge at 32' ss is cut by few small sh partings which show some movement. Some FeS_2 No HgS.
"	41' 54'	156"	126"	1' contorted black sh 8' soft black gouge, 4' of gouged & contorted ss & sh, cut by networks of CO_3 veinlets some FeS_2 & white soft alteration material (poss. form SiO_2) No HgS
"	54' 66'	144"	96"	9' contorted & gouged sh as above, 2' white hard contorted material highly mineralized w/FeS_2 1" black gouge.
"	66' 80'	168"	72"	Contorted sh, ss, & white material as above. abnt. FeS_2 & same dark green (chloritization?) in white material No HgS.
AX	80' 85'	60"	36"	(Lost circulation at approximately 82+ feet) Same as above.

END HOLE NO. 4

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O. M. E
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MME FORM 60
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

Docket No. 6168
Contract No. 14-23-090-2157
Contract Amount $45,388.50
Gov't. Participation % 50 $22,694.25
Mineral(s) Mercury

OPERATOR'S MONTHLY VOUCHER

For Month of June, 1964

Operator's Name San Simeon Keystone, Inc.
Address 915 Helm Building Fresno, California

COST CATEGORIES	FOR OPERATOR'S USE			FOR GOVERNMENT APPROVAL ONLY		
	MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE	MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE
Fixed Unit Costs and						
(1) Independent Contracts:						
Bulldozing		1,162.00	1,162.00		1,162.00	1,162.00
~~Drilling~~ Mobilization & Demobilization						
~~Coring~~ 1/2 (1,750)	875.00	None	875.00	75.00	—	75.00
Drilling NX Core	264.00	"	264.00			
AX Core	56.00	"	56.00	1,304.75	—	1,304.75
BX Core	1,020.00	"	1,020.00			
Non Core		2,035.50	2,035.50		2,035.50	2,035.50
(2) Personal Services:						
Supervision & Technical	480.00	None	480.00			
Outside Consultants	500.00	"	500.00			
Labor	480.00	"	480.00			
(3) Operating Mat'l. & Supplies:						
Timber	160.00	"	160.00			
Explosives	32.00	"	32.00			
Pipe	62.50	"	62.50			
Rail						
(4) Operating Equipment:						
Rental	315.00	"	315.00			
Purchase						
Depreciation						
(5) Initial Rehab. & Repairs:						
Buildings, Fixtures, etc.						
Operating Equipment						
(6) New Buildings, Fixtures, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Analytical Work						
~~Payroll Taxes~~ Drain Pipe		79.56	79.56		79.56	79.56
Employee's Liability Ins.	750.00	None	750.00			
Assays	56.00	"	56.00			
Core Boxes	18.70	"	18.70			
Spring, dam, & Water		175.00	175.00		175.00	175.00
Incidental Allow.		1,139.88	1,139.88	216.72	1,139.88	1,356.60
TOTALS	5,069.20	4,591.94	9,661.14	1,596.47	4,591.94	6,188.41

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

Date July 21, 1964 Payee San Simeon Keystone Inc By J. H. Hardy V.P. & Gen Mgr

Per _____ Title _____

* 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.

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

(INSTRUCTIONS ON REVERSE)

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

$ 798.24

Signature _____ (Authorized Certifying Officer)

Date 10/24/64 Vou. No. 554-1

(SEE OTHER SIDE)

Certification by Government Representative:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating an exploration project in accordance with the terms of Contract No. 2157

Signature Paul V. Gillo Title Acting Field Officer Date Oct. 12-1964

Approved by OME Executive Officer or Alternate: OME Region II

Signature Paul V. Gillo Title Acting Field Officer Date Oct. 12-1964

OPERATOR'S MONTHLY REPORT

The Operator, under an Office of Minerals Exploration contract, is required to report monthly to the Government. The report consists of three parts.

FIRST, the Operator's Monthly Voucher on MME Form 60 listing the project costs incurred and claimed by the Operator is the voucher basis for payment of the Government's share of the cost.

SECOND, the Operator's Progress Report on MME Form 61 is a statistical report of the units and cost of of work performed under the contract.

THIRD, the Operator's Narrative Report is a concise description of the work performed, results accomplished, and any unusual situations encountered, illustrated and supported by engineering-geological maps or sketches, drill hole logs, assay reports, etc., as pertinent.

The Operator submits the original and four copies of each of the three sections of this report to the OME regional Executive Officer at the end of each month during the life of the contract.

PREPARATION OF OPERATOR'S MONTHLY VOUCHER, MME FORM 60

After all applicable spaces are filled in, the Operator or his agent must sign the certification in the lower left corner. Categories (2) through (7) apply to "Actual Cost" contracts only.

Under "Fixed Unit Costs" and Category (1) report, (a) the total fixed unit costs of work performed under contract provisions for contribution by the Government on a basis of "fixed unit costs"; and (b) the claimed costs of work performed on a unit-price basis by independent contractors.

Under Category (2) include the claimed costs of all payrolled and invoiced supervisory, technical, and labor personnel, except the costs for services applicable to Categories (5) and (6).

Under Category (3) include the claimed costs of all project materials and supplies other than those used for work under Categories (5) and (6).

Under Category (4) report claimed rentals on equipment belonging to a third party, claimed payments or obligations for payments on the Operator's purchase of equipment, and claimed depreciation for the use of Operator-owned equipment.

Under Categories (5) and (6) include all claimed costs of labor, supervision, technical services, operating materials and supplies, and all other items used in (5) the initial rehabilitation and repairs of existing buildings, fixtures, installations (exclusive of mine workings), and operating equipment; and (6) the installation or construction of new buildings, fixtures, and fixed improvements (exclusive of mine workings). Do not report these costs under Categories (2), (3), (4), and (7).

Under Category (7) include all miscellaneous claimed costs such as repairs (other than initial) and maintenance of equipment, sampling and analysis, travel, communication, accounting, office expenses, and the Operator's share of payroll taxes and insurance.

Except for amounts claimed under "fixed unit costs" provisions of the contract, all costs claimed in this voucher must be supported by documentary evidence consisting of: (a) certified copies or transcripts of payrolls which list each employee, wage rate, period of employment, gross earnings, itemized deductions, and net earnings; (b) original or certified copies of invoices, statements of accounts, or purchase orders which indicate items of materials or services, quantities, unit prices, total charges, and payment terms; and (c) certified memoranda of the Operator for such items as depreciation of Operator-owned equipment, unemployment taxes, and employee's liability insurance. The certification may be stated thus, "Certified True Copy (or Transcript)", followed by the signature of the Operator or his agent. One copy of each document should accompany the original of this voucher.

The requirement for submitting documentary evidence of claimed costs may be waived by the OME regional Executive Officer if he determines that it is impracticable for an Operator to submit this material. In any case of waiver of this requirement an "on-site" audit by an OME auditor is mandatory prior to payment of the final Operator's Monthly Voucher.

MME FORM 61
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OPERATOR'S PROGRESS REPORT For Month of June, 1964 Docket No. 6168

Operator's Name San Simeon Keystone, Inc. Contract No. 14-23-090-2157

OPERATION	UNITS	FOR OPERATOR'S USE: UNITS THIS MONTH	UNITS TO DATE	COSTS TO DATE	FOR GOVERNMENT USE: APPROVED UNITS THIS MONTH	APPROVED UNITS TO DATE	APPROVED COSTS TO DATE
Drifting							
Crosscutting							
Raising							
Shafts							
Winzes							
Other Underground							
Drilling, Core-Diamond		258'	258'	5,069.20	258	258	1304.75
~~Rotary~~					258	258	216.72
Drilling, Non-core-Diamond							
Rotary		None	1,257'	3,175.38		1257	3,175.38
Churn							
Percussion							
Miscellaneous Drain Pipe				79.56			79.56
Spring, dam, & water				175.00			175.00
Roads and Trails			83hrs.	1,162.00			1162.00
Stripping							
Trenching							
Test Pitting							
Other Surface Work Rehabilitation							75.00
Initial Rehabilitation and Repairs							
Rehabilitation of Mine Workings							
New Buildings, Fixtures, etc.							
Operating Equipment Purchases							
Analytical Work							
TOTAL TO DATE *(per MME Form 60)*				9,661.14			6188.41

REMARKS

(Continue on back)

REMARKS

(Continue on back)

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 July 21-64 Operator San Simeon Keystone Inc By J. H. Savage

Per _____ Title Vice Pres & Gen Mgr

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

I certify that the information above is complete and accurate to the best of my knowledge and belief.

Signature Paul D. Fillo

Title Acting Field Officer

Government Representative

Date OMB Region IV 12-1964

(INSTRUCTIONS ON REVERSE)

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

JUL 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

July 22, 1964

U. S. Department of Interior
Office of Mineral Exploration
9007 Federal Building
450 Golden Gate Avenue
Box 36012
San Francisco, California

Attention: Mr. Paul V. Fillo

Gentlemen:

I enclose herewith to you MME Form 60. I also enclose herewith to you MME Form 61, one original and three duplicates. These have been made out by James McCallum, C.P.A. in collaboration with me. I know perfectly well that many of the expenses which are listed on these forms are not subject to participation by the Government, but I thought it desirable to show good faith and show the actual money we have spent under the completely new organization in carrying out the OME contract and in intelligently trying to develop ore at the Keystone Mine.

There is attached to Form 60 the receipted paid bill of Boyles Bros. Drilling Company. There is also attached to said Form 60, 4 copies of the report of James McCallum, C.P.A., of the activities of the new management up to the end of June, 1964. There is also attached to Form 60 the detailed geological report of the cores taken from the first hole core drilled at Keystone Mine, not only to the end of June, at which time the core drilling had extended to 258 feet, but covering the entire length of the first core drilling hole, a distance of 303 feet.

I also wish to advise you that the old directors and officers and executives of San Simeon Keystone, Inc. are no longer in charge of the company's affairs. Mr. William J. Dawson, only, is temporarily acting at the mine to keep time and to keep materials needed to carry on the core drilling. He also installed a new water line from the little reservoir and installed the air line and lights' but he is not authorized to do anything else. In order that you and Washington may have the names of the new management of the corporation, I am advising you that Beverly H. Jones is President. Mr. Jones is one of our outstanding citizens, financially and otherwise, and was a colonel in the Army. He is a man of broad experience, having owned and developed the Sunland Industries, which was the largest pesticide, seed grain and fertilizer institution in the Valley until very recently when he sold out to the Niagara Company. H. A. Savage has been elected First

Executive Vice President, with full and complete power to manage and control all operations. Mr. Savage has been a mining operator and a mining attorney for some 40 years, with success in all three of the mines which he has put together and operated or guided; namely, Strawberry Tungsten Mine, which was sold for $1,175,000.00 cash after $50,000.00 in dividends. This mine is in Fresno County, California. Another was the Consolidated Tungsten Mine, which produced over a million dollars, and he still guides this mine which is now producing limestone with full power of all partners to determine action. The third is the Cal-Tex Tungsten Mine, which produced over $400,000.00 in tungsten. The latter two mines are also in Fresno County. Mr. Savage has been an attorney specializing in mining law for some 45 years.

Through the efforts of Mr. Jones and Mr. Savage we have acquired, I think, the most expert and valuable engineering and geological personnel available in any of the American continents. Mr. M. C. Richardson, who was the executive engineer and the man who made Strawberry a great mine after it had been abandoned by previous engineers and operators, is our chief mining engineer as well as geologist, and he is Vice President of New Idria Mining & Chemical Company. Mr. Hyde Lewis, who is the outstanding mercury mining engineer in America, I am sure, and who is President of and who operates the New Idria Mining & Chemical Company mine producing from 700 to 1,000 flasks of mercury per month and at times has produced as much as 80% of the entire American production of mercury, gives us the benefit of his expert advice and guidance. We also have full benefit of their two leading geologists, a Mr. Ward and a Mr. Arie. We sincerely hope and believe that we will determine through core drilling, geological examination and all other means if the Keystone Mine structure contains cinnebar and meta cinnebar of economic value.

For your information, although it has no relation to the partial performance of the Office of Minerals Exploration Contract No. 6168, we started Hole No. 1 and drilled it to 281 feet. This was past the surface drilling that showed very rich cinnebar at Station 14 and Hole 14 but core drill No. 1 passed about 16 feet to the north of this hole and core drill No. 2 passed about the same distance to the south of it. We have already started a third core drilling hole to contact as near as possible this Hole 14. Varying engineer's reports required a technical survey, which was made by Mr. Ward and Mr. Arie and Mr. Richardson very recently but not in time to make the corrections. This was done with all known implements and accuracy.

Our Board of Directors have determined that they will, as soon as the coring is over, resume opening the old tunnel to the winze which we believe to be only a few feet - somewhere between 20 and 40 feet - ahead of the present tunnel. Heavy caving prevented us from reaching the winze before the core drilling and until the core drilling is over, we cannot go into the tunnel to open it to the winze.

There is also attached to the Geological Report a map showing the location and dip, etc.

On behalf of the Directors of San Simeon Keystone, Inc., we want to thank you, Mr. Paul Fillo, for your two very informative and cooperative trips to the mine and we hope to have the benefit of your expert knowledge and advice as Mr. Richardson and the two geologists from New Idria see things eye to eye with you.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

H A Savage

By H. A. SAVAGE, Vice President
and General Manager

DIAMOND CORE DRILLING
DIAMOND DRILLING EQUIPMENT
GROUTING
FOUNDATION TESTING
MINING
QUARRYING
SHAFT SINKING
TUNNEL DRIVING
MINE PLANT DESIGN AND FABRICATION

Boyles Bros. DRILLING COMPANY

CONTRACTORS-ENGINEERS-GEOLOGISTS

General Offices and Plant
1624 Pioneer Road P. O. Box 58 HUnter 7-7595
SALT LAKE CITY 10, UTAH

BRANCH OFFICES
PHOENIX
RENO
SPOKANE
DENVER
AUBURN, CALIF.
ST. LOUIS

INVOICE DATE: July 11, 1964
ORDER NUMBER:
INVOICE NUMBER: 1
CONTRACT: 10-291
TERMS: Net
LOCATION: Keystone Mine, Cambria, California

Mr. H. A. Savage
915 Helm Building
Fresno, California

Item No.	Description	HOLE NO.	FROM	TO	FOOTAGE	RATE	TOTAL
1 -	Mobilization and Demobilization, at 50%				Lump Sum	1,750.00	875.00 ✓
2 -	Core Drilling - 20 Shifts				per shift	140.00	2,800.00
	NX Core drilling 0 - 40 Ln.Ft.				40 Ln. Ft.	6.60	264.00 ✓
	BX Core drilling 40 - 244 Ln. Ft.				204 Ln. Ft.	5.00	1,020.00 ✓
	AX Core Drilling 244 - 258 Ln. Ft.				14 Ln. Ft.	4.00	56.00 ✓
						Sub Total	5,015.00
	LESS -						
	1 Shift on June 6, 1964			at $ 140.00	140.00		
	4 Shifts on 6/10, 6/12, 6/15, & 6/16.			at 50% @ shift	280.00		
	1 Spark arrestor			at $ 38.00	38.00		458.00
						Total	4,557.00

PAID JUL 17 1964
J. L. Gordon
BOYLES BROS. DRILLING CO.
P. O. BOX 831
AUBURN, CALIF. 95603

Submitted by: Peter Chesler

SAN SIMEON KEYSTONE, INC.
Cash Flow Statement
For the Six Month Period Ended June 30, 1964

(Prepared Without Audit)

CASH RECEIVED:

Beverly Jones	$5,000.00	
Four Shares of Stock of Lucas	400.00	
H.A. Savage	2,000.00	
Four Shares of Stock of Thwaiter	400.00	
J.J. Nagel	2,000.00	
Gregory Stone	2,000.00	
E.J. Harp	2,000.00	
Edw. H. Goodwin	2,000.00	
John Garabedian	2,000.00	
Total Cash Received		$17,800.00

CASH EXPENDED:		Fresno	San Luis	Total
Miscellaneous Expense		$ 28.00	$ 5.62	$ 33.62
Travel		37.26		37.26
Supplies		518.02	1,030.89	1,548.91
Assays and Freight		31.35		31.35
Telephone		76.16		76.16
Repairs and Maintenance		30.56	34.36	64.92
Escrow Fee		20.00		20.00
Groceries			139.89	139.89
Labor			5,849.67	5,849.67
Contract Labor			131.25	131.25
Equipment Rental			204.94	204.94
Gas and Oil			270.28	270.28
Organization Expense:				
State of California	$ 221.00			
H.A. Savage (7 Months Rent)	700.00			
James and Jeanne Thwaiter	1,000.00	1,921.00		1,921.00
Prepaid Expenses:				
State Compensation Insurance	$750.00			
Phelan Land and Cattle	400.00			
Franchise Tax Board	100.44	1,250.44		1,250.44
Equipment		213.20	230.00	443.20
D-4 Cat Repairs		1,515.49	20.80	1,536.29
Total Cash Expended		$5,641.48	$7,917.70	$13,559.18

- Forward -

SAN SIMEON KEYSTONE, INC.
Cash Flow Statement
For the Six Month Period Ended June 30, 1964

(Continued)

(Prepared Without Audit)

CASH RECEIVED: Brought Forward	$17,800.00
CASH EXPENDED: Brought Forward	13,559.18
NET CASH RECEIVED OVER CASH EXPENDED:	$ 4,240.82

NOTE: Cash transfers from Fresno Account to San Luis Obispo Account amounted to $7,000.00

This report was prepared from information supplied by client; therefore, we are unable to express an opinion thereon.

James B. McCallum, C.P.A.

NEW IDRIA MINING & CHEMICAL COMPANY
IDRIA, CALIFRONIA

Sheet #1.

HOLE NO: 1 DATE STARTED: 6/8/64 DRILLER: Boyles Bros.
LOCATION: Keystone Mine, Adit Level BEARING: N 77 E
COORDINATES: 16.5' S54E from surv. Pt #18. VERT. ANGLE: -30
REASON FOR HOLE: Check inferred min. s.s. lens. ELEV. COLLAR: Track level.

DRILL SIZE.	FOOTAGE From	- To	INCHES CORED	INCHES RECOVERED	DESCRIPTION
NX	0	7'	84"	60"	Silica carbonate with diss. HgS, bands unaltered serp. after 1s't 23"
"	7	10'	36"	36"	100% Silica carb. with some dis. HgS.
"	10	17'	84"	84"	64" Silica carb. with colors., 20" min. s.s, gouge, sh, breccia, with reticulated veinlets CO_3 ? much pyrite (Fault breccia contact approx. 15')
BX	17	23'	72"	72"	18" Same, 30" contorted silica carb. with much pyrite diss. & in blebs., 12" breccia with pyrite, 12" med. soft gouge or sh.
"	23	37'	168"	89"	66" med soft to hd sh or go., with numerous hard frag. containing much pyrite, 17" med gr. S.s. with contort. bands silica carb., some pyrite. 6" min. go or sh with pyrite.
"	37	48'	132"	96"	100% Contorted & brecciated gouged sh, serp. & s.s., some hard frag. containing pyrite.
"	48	58'	120"	98"	8" Black med hd go, 82" siltstone & fine gr s.s., 8" blk go. (some serp?)
"	58	69'	132"	120"	100% med to med hd contorted & brecciated go or siltstone, fine gr s/s. some silica carb, with pyrite 68-69'
"	69	80'	132"	96"	46" med hd contorted sh or go., 50" light gray chert, with pyrite diss. & in patches. (Hit chert at 74')
"	80	90'	120"	120"	30" Same, 90" brecciated chert with brown veinlets & patches of same, Ret veinlets of $CaCO_3$, some diss. pyrite.
"	90	103'	156"	120"	100% Brecciated chert, altered & bleached 1s't 3'. Some diss pyrite.
"	103	113'	120"	83"	8" gouge, 18" brecciated chert, 57" contorted, brecciated go.
"	113	123'	120"	113"	100% med soft dark br. to blk go. with 12" sect. med gr s.s. at 119'
"	123	134'	132"	114"	Same, with s.s. sections.
"	134	144'	120"	118"	100% contorted, brecciated med hd go. with more s.s. frag. trace pyrite.
"	144	153'	108"	88"	76" hd go. or sh & S,s breccia, chert frag., many reticulated CO_3 veinlets last 44", 12" light tan highly altered (talcose) material, possibly rhyolite? Contains white rounded grai
"	153	164'	132"	108"	27" same tan talcose material, 40" hd dark contorted brecciated go or sh with reticulated veinlets CO_3, 29" fn gr s.s., some sh or go bands, 12" gouge.

NEW IDRIA MINING & CHEMICAL COMPANY
IDRIA, CALIFORNIA

HOLE NO: 1 cont.

DRILL SIZE	FOOTAGE From	- To	INCHES CORED	INCHES RECOVERED	DESCRIPTION
BX	164	174'	120"	120"	60" dk gr med hd go or mashed sh, 6" soft dk go. at 169', 54" contorted fn grained s.s. breccia.
"	174	184'	120"	119"	46" contorted S.s. sh breccia, harder & more silicious with blebs & string. qtz & $CaCO_3$, some pyrite, 73" Same with br chert frag.
"	184	196'	144"	144"	40" s.s. sh/go breccia, less veinlets, 16" s.s., 2" soft go. at 189', 40" light tan altered material, (rhyolite) pyrite on frac., 27" s.s., 18" gougy contorted s.s & sh.
"	196	206'	120"	108"	33" blk go, some serp?, 15" blk to tan talcose serp. or alt. rhyolite, 60" contorted, brecciated s.s. & go. with reticulated string. of CO_3, slightly harder towards end.
"	206	216'	120"	96"	36" hd silicious sh or go., with much reticulated $CaCO_3$, light diss. pyrite. (This section more min. than previous sections), 60" brecciated s.s. & go or sh. Little min.
"	216	226'	120"	100"	48" med soft blk go, 52" same.
"	226	231'	60"	60"	42" soft go.,S.S. breccia, no min., 28" blk go.
"	231	241'	120"	112"	62 s.s. & go., 106" med to fn gr s.s. Hit s.s. at 231.5' 6/27/64

Note: Hole will be continued to 300'

M.L. Ward

Logged By: M.L. Ward
Geologist, New Idria Mining & Chemical Company

NEW IDRIA MINING AND CHEMICAL COMPANY

IDRIA, SAN BENITO COUNTY, CALIFORNIA

Telephone: New Idria Number One

Sheet #3

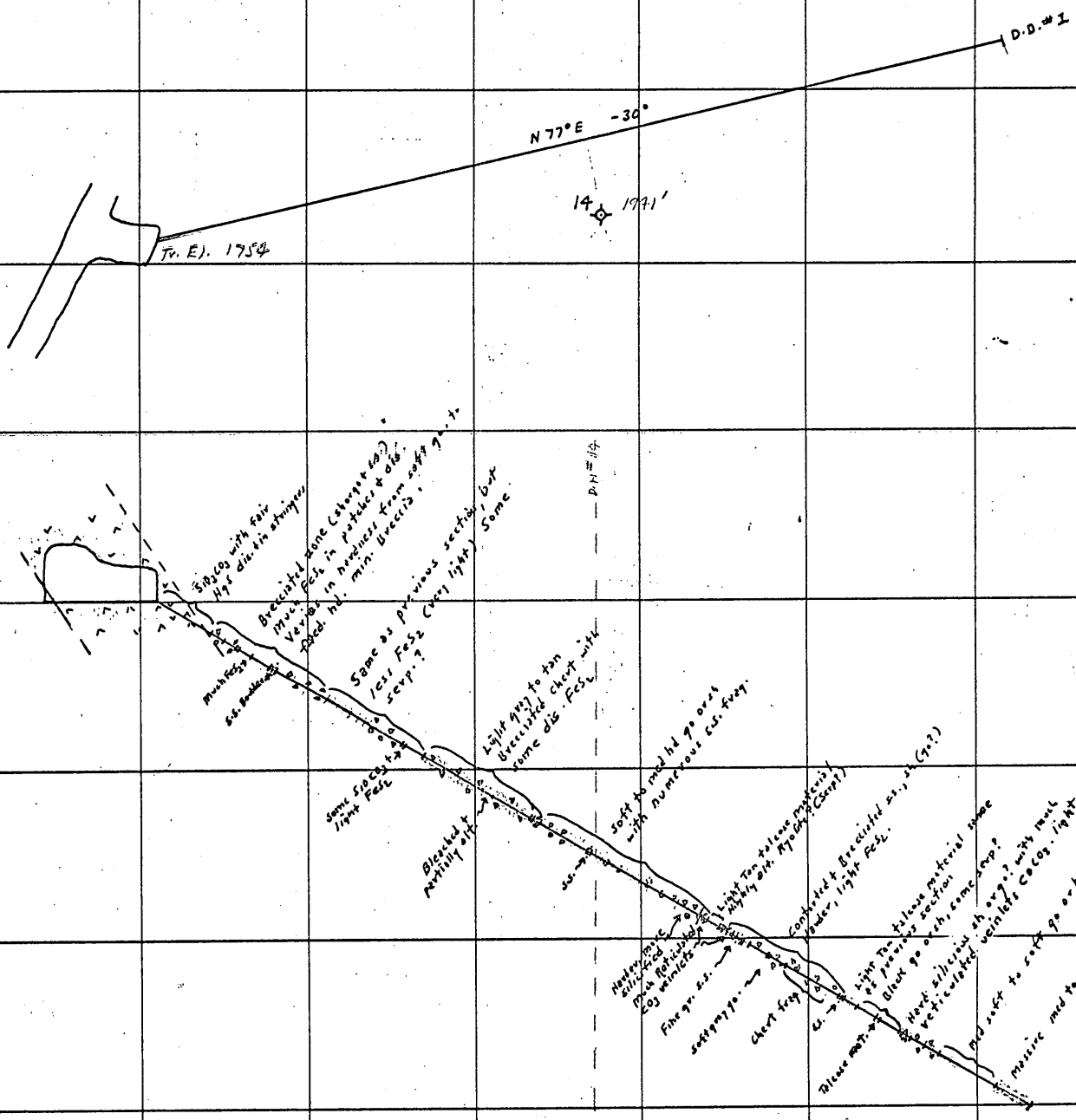
HOLE NO: 1 DATE STARTED: 6/8/64 DRILLER: Boyles Bros.
LOCATION: Keystone Mine, Adit Level BEARING: N 77 E
COORDINATES: 396.5'N 370.5'W (1" = 40' Map, Ary - Ward 7/14/64) VERT. ANGLE: -30
REASON FOR HOLE: Check inferred min. ss lens. ELEV. COLLAR: Track level.

DRILL SIZE.	FOOTAGE From	- To	INCHES CORED	INCHES RECOVERED	DESCRIPTION
BX	241	243'	24"	21"	100% med-coarse gr. gray ss, with few small CO_3 stringers.
AX	243	250'	84"	76"	100% med-coarse gr. light gray ss, widely scat. xls of pyrite. Numerous small CO_3 veins.
"	250	262'	144"	121"	13" med-coarse gr. gray ss, 23" very fine gr light gray ss w/numerous soft black sh partings & numerous CO_3 veinlets, 8" soft blk sandy sh, 77" soft blk gouged & brecciated sh.
"	262'	270'	96"	76"	76" contorted, gouged & brecciated blk sh, light gry ss, possibly some chert. Numerous networks of CO_3 veinlets, which appear to be post faulting.
"	270	282'	144"	142"	85" contorted & brecciated material as above, 14" light green soft brecciated serpentine?, cut by networks CO_3 veinlets with pyrite, 43" contorted & gouged brecciated ss & sh as above.
"	282'	292'	120"	108"	108" contorted blk sh & gray ss same as above.
"	292	302'	120"	115"	80" blk gouge, 25" fine gr gray ss w/ abundant soft blk sh partings, 14" med-coarse gr light gray unmineralized ss w/small Co_3 stringers.

Logged by: Max Ary
Geologist, New Idria Mining & Chemical Company

Max D. Ary

MA/mw



"ALBANENE" NO. 195M K & E CO., N. Y.
REG. U. S. PAT. OFF.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

October 7, 1964

Memorandum

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California

Enclosed are the original and two copies of Amendment No. 4 of the above subject contract property executed by the operator.

The remaining copies of Amendment No. 4 have been distributed in the usual manner.

Paul V. Fillo

Paul V. Fillo

Enclosures
cc:
Chief, Division of Field Operations, OME, Wash., D. C.

OFFICIAL FILE COPY
O. M. E
RECEIVED OCT 9 1964

DATE	INITIALS	CODE
10/9	[illegible]	120
		120

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OFFICIAL FILE COPY
O. M. E.
RECEIVED OCT 7 1964

DATE	INITIALS	CODE
10/7	BEF	800
10/7	on leave	120
		120

October 5, 1964

Mr. H. A. Savage
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Dear Mr. Savage:

Enclosed are the original and four copies of a proposed Amendment No. 4 with reference to your contract by the Acting Field Officer for the Government.

If the proposed Amendment meets with your approval, please sign and return the following copies to this office:

Government's copy
Fiscal Section's copy
Audit's copy
Field Office's copy

The Operator's copy should be retained by you.

Sincerely yours,

Paul V. Fillo
Acting Field Officer, OME
Region II

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

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
		130
9/18	Johnson	110
"		100
9/18	[illegible]	220
		120

SEP 18 1964

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Exploration Operations

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2137

Enclosed are the original and four copies of a proposed Amendment No. 4 to the subject contract, signed by the Acting Director for the Government. Also enclosed is an extra copy for field use.

If the proposed amendment is satisfactory to you and the Operator, all five copies should be signed by an authorized representative of the Operator. Thereafter, please distribute the copies in the usual manner.

If any part of the proposed amendment 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.

George C. Selfridge

Enclosures

MMerrithew/mm (9/18/64)
cc: Director's Reading File
Review Committee
Docket

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
9/18	Selfridge	120
	Johnson	110
		100
9/17	Cae	220
		120M

AIRMAIL

SEP 18 1964

Mr. H. A. Savage
General Manager and Vice President
Savage & Shepard
915 Helm Building
Fresno, California

Re: CMK-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Savage:

In reply to your letter of September 9, 1964, I regret to inform you that we do not have the original lease to which you refer.

Our docket contains a copy of a Mining Agreement, dated the first day of June, 1957, between Phelan Land & Cattle Company, the owner, and Jack Selby, William J. Dawson, Karl Pierce, Frank Pierce, and Forse Pierce, termed the "Operators." There are no signatures.

In addition, we have a copy of Exhibit B Supplement to Mining Agreement which refers to the Mining Agreement and which divides the rights of Selby and Dawson from the Pierces. This is in keeping with Item 2(a), Applicant's Rights in Land, of the application which states, "Applicants interest in land and mineral rights is set out in attached copy of lease of June 1, 1957," et cetera. It would seem that any one of the original lessees might have the original lease.

Your blank check to the Office of Minerals Exploration is enclosed.

Sincerely yours,

George Fumich, Jr.

(PK)

Acting Director

Enclosure:
Check No. 166
GCSelfridge/gla (9-18-64)
cc to: Director's Reading File
Docket
Region II w/cy incoming letter
Mr. Selfridge

23263

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 18 1964

DATE	INITIALS	CODE
		120 m
		120

September 9, 1964

Bureau of Mines
Office of Minerals Exploration
Washington, D. C.

Gentlemen: Re: Contract 2157, Docket No. 6168

In regard to OME contract No.2157, we have been core drilling quite a long time and have worked closely with your Mr. Fillo. We have found him to be especially capable and very cooperative, but Mr. Fillo and I and our predecessors, including Attorney Charles Ogle, of Morro Bay, have never been able to find the lease from Phelan Land and Cattle Company to Jack Selby and W. J. Dawson, and this is a very important matter to the San Simeon Keystone, Inc., which have already spent approximately $25,000.00 and contemplate expending a great deal more to develop the Keystone structure. Mr. Fillo has looked and he had only a copy, so I felt that probably either Mr. Thwait or Mr. Ogle forwarded their original lease to you to show that they had a binding lease on the Keystone structure.

If you do have the original lease, which has not been recorded so I was advised by the Recorder of San Luis Obispo County, will you please make a photographic copy of it and, if agreeable to you, keep the photographic copy and send me the original and I will record our lease, if you send me the original; or, if you feel you should keep the original(if you have it) make a photographic copy of the lease and mail it to us at this office. I am enclosing a blank check to cover the cost of this service, which you are authorized to fill in for what the cost may be. Of course, if you do not have the original lease, you must have a copy of the lease in your files. I know Mr. Fillo has an unsigned copy, but we need and must have before expending further sums of money, the original lease in our hands.

We would greatly appreciate your letting us know if you have the lease and if you do, either return the original to us or a photographic copy.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

By H A Savage
H. A. SAVAGE, General Manager
and Vice President

HAS:m
Enc. Check No. 166

FORM 6 REFERENCE SLIP

REV. 2-59 OFFICE OF MINERALS EXPLORATION

TO:	DATE	INITIALS
1. ~~Associate Solicitor, 6042~~		
2. G. C. Selfridge, 4455		
3.		
4.		
5.		
FROM: George C. Selfridge	9/14/64	

FOR: Check items for action desired

X Action ____ Reply for signature of ____

X Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions ____ Your information

REMARKS:

FROM SOLICITOR

INTERIOR DEPT.
SEP 15 1964

SEP 17 1964 SOLICITOR

FOR SIGNATURE

INT.-DUP. SEC., WASH., D.C. M56300-62

SECOND DRAFT
9/11/64

+130

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

AMENDMENT NO. 4

It is agreed this _____ day of _____, 1964, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter referred to as the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter referred to as the "Operator," that Exploration Contract 2157 (OME-6168), dated April 19, 1962, as amended, NX is further amended effective as of the date of the contract as follows:

1. In Amendment No. 2:

In Item 5 the description of the drilling is deleted and replaced as follows:

Surface holes shall be drilled by using NX non-coring bits. The underground holes shall be started BX core size (core diameter 1-5/8 inch) or larger. If drilling conditions necessitate, the core bit sizes may be reduced; however, all holes shall be completed not less than AX core size (core diameter 1-1/8-inch).

2. In Exhibit A of the contract and in Amendments Nos. 1 and 2, all reference to specifications and costs under Estimated Cost of the Project, Stage I, are deleted and replaced with the following:

Estimated Cost of the Project

Stage I

Actual Costs

Category (1) Independent Contracts

Surface drilling, 1,357 feet @ $1.50/ft.	$2,035.50
Underground drilling, 800 feet NX core size @ $6.75/ft. BX " " @ $5.00/ft. AX " " @ $4.00/ft.	5,400.00

Reaming and casing, or cementing and redrilling, 300 feet @ $3.50/ft.	$1,050.00	
Transportation of drill and equipment to and from job	150.00	$8,635.50

Category (3) Operating Materials and Supplies

None except:		
10 drains, 12" pipe, 15' long for access roads @ $1.50/ft.	$ 225.00	
200 cardboard core boxes @ $0.80/each	160.00	$ 385.00

Category (7) Miscellaneous

None except:		
Assaying 200 samples for mercury @ $4.00/sample	$ 800.00	$ 800.00

Total Actual Costs	$9,820.50

Fixed Unit Costs

Bulldozing to repair and maintain access roads, 50 hours @ $14.00/hr.	$ 700.00
Bulldozing to clean benches and level drill sites, and to construct earth dam, 62 hours @ $14.00/hr.	868.00
Clean spring, construct earth dam, install water system, job is unit of work, except bulldozing	175.00
Incidental allowance in lieu of all costs whatsoever, except those listed above, $0.84/ft. for 2,157 feet	1,812.00

Total Fixed Unit Costs	$3,555.00
Total Estimated Cost Stage I	$13,375.50

3. In Article 1(b) of the contract, as amended by Amendment No. 2, the figures $45,388.50 and $22,694.25 are revised to read $45,340.00 and $22,670.00, respectively.

4. In Exhibit A under Estimated Cost of the Project, the S U M M A R Y shown in Amendment No. 2 is revised to read:

Total Estimated Cost Stage I (rounded)	$13,375.00
" " " " II	$31,965.00
" " " of Project	$45,340.00
Government Participation @ 50%	$22,670.00

This amendment reduces the estimated total cost of the project and the aggregate total amount which the Government may be required to contribute, and it shall not be construed to increase the amount of any item designated as a maximum or the fixed unit cost of any item of work.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____
Acting Director, Office of Minerals Exploration

SAN SIMEON KEYSTONE, INC., ASSIGNEE

By _____

Title _____

Legal

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

AMENDMENT NO. ~~3~~ 4

It is agreed this _____ day of _____ , 1964, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter referred to as the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter referred to as the "Operator," that Exploration Contract No. 2157 (OME-6168), dated April 19, 1962, as amended, is further amended, effective as of the date of this contract, as follows:

1. In Amendment No. 2:

(a) In the description of the drilling Item ~~2~~ 5 is deleted and replaced as follows:

"Surface holes shall be drilled by using NX non-coring bits. The underground holes ~~may~~ shall be started ~~NX~~ BX core size (core diameter ~~2 1/8~~ 1 5/8-inch) or larger. If drilling conditions necessitate, the core bit sizes may be reduced; however, all holes shall be completed not less than AX core size (core diameter 1 1/8-inch).

~~(b) In Item 7, Stage I,~~ Actual Costs the specifications ~~and figures under Category~~ (1) Independent Contracts are revised to read as follows:

"Surface drilling,

1357 feet @ $1.50/ft.	$2,035.50
Underground drilling, 800 feet	5,400.00

NX core size @ $6.75/ft.

BX " " @ $5.00/ft.

AX " " @ $4.00/ft.

Reaming and casing, or cementing and

redrilling, 300 feet @ $3.50/ft. $1,050.00 $8,485.00"

The sums of $15,904.00 and $19,747.00 shown in Amendment No. 1 as the Total Actual Costs and Total Stage I are changed to $9,580.50 and $12,463.50, respectively.

(c) In item 8, the estimated costs are revised to read as follows:

"Total Estimated Cost of Stage I	$12,463.50
" " " " " II	31,965.00
" " Cost of Project (rounded)	$44,400.00
Government Participation @ 50%	$22,200.00

2. In Exhibit A of the Contract under Description of the Work, Stage I the second sentence of the second paragraph is revised to read:

"The Government will contribute to the cost of drilling not to exceed an aggregate total of 2157 feet of drill holes."

3. In Amendment No. 1, ~~under~~ Item 4, Stage I:

(a) Under Actual Costs, Category (3) Operating Materials and Supplies the second item is revised to read:

200 cardboard core boxes @ ~~$.80~~ $0.80/each $160.00

(b) Under Fixed Unit Costs the last specification is revised to read:

"Incidental allowance in lieu of all costs whatsoever, excepting those listed above, ~~$.84~~ $0.84/ft. for 2157 feet of drilling $1,140.00

(c) The figure $3,843.00 for Total Fixed Unit Costs is revised to read $2,883.00.

This amendment shall not be construed to increase the amount of any item designated as maximum, the fixed unit cost of any item of work, the estimated total cost of the project, or the aggregate total amount which the Government may be required to contribute.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____
Acting Director, Office of Minerals Exploration

SAN SIMEON KEYSTONE, INC., ASSIGNEE

By _____

Title _____

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

August 25, 1964

Memorandum

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

From : Acting Field Office, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, California

Enclosed are copies of a letter from the subject operator explaining his difficulty in underground drilling of BX size holes and Boyles Brothers drilling contract. To complete the drill holes they had to use AX size bits and it is recommended that an amendment to the contract be prepared to allow AX drilling in completing a drill hole. In Boyles Bros. contract they show $4.00 per foot for drilling AX size.

Plus $140/week

Paul V. Fillo

Paul V. Fillo

OFFICIAL FILE COPY

RECEIVED

DATE	INITIALS	
8/31		8.00
		120 m
		120

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

August 21, 1964

Mr. Paul Fillo
Bureau of Mines
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California

Dear Mr. Fillo:

In answer to your letter received this morning, I am writing you as follows and by way of information regarding the change in part from NX to AX, I am enclosing a copy of the Boyles Bros. Drilling Co. contract and also copies of the daily report of Boyles Bros. showing the great difficulty and expense involved in coring as more particularly hereafter set out as relates to Hole No. 1.

In all my experience I have never seen such stubborn gouge or Alta as they sometimes call it. In order to get through it at all, the Boyles Bros. had to case quite a little bit of this hole. After it was cased they tried to pull out the pipe; they pulled the pipe in two twice trying to get it free and released. Boyles Bros. had one of their finest core drillers named Ray Etreim, with an excellent helper, and I saw them spend a whole half day trying first to go through this tough gouge and then trying to pull out. That is one of the reasons they could not carry the regular NX drill but had to go to the AX drill in order to complete this hole at all. And but for the good advice of Mr. M. C. Richardson whom you know, that we try using ordinary detergent, we probably would never have completed the No. 1 hole and we used three or four gallons of detergent every eight hour shift. This difficulty explains why a part of Hole No. 1, which was covered by our report for the month of June, had to be dropped to the next smaller size and you can see from the paid bill which you have for the month of June covering only the 258 feet of this hole, that it had cost us over $20.00 per foot to make this drilling; and in all this work we had the guidance of M. C. Richardson, mining engineer and Vice President of New Idria Mine and their two leading Geologists, Mr. Ward and Mr. Ary, and at times the advice and counsel of Mr. Hyde Lewis whom we believe to be the foremost mercury engineer in the western hemisphere, and we did prove the existence and location of the major Keystone fault, and the sandstone beyond it. The cores secured were outstanding and far better than those recovered

at New Idria according to their own geologists.

There has already been sent to you the report of Geologist Ward covering Hole No. 1 which ran to 303 feet with only a very little bit of cinnabar showing. But Hole No. 1 was not finished until the 3rd of July so the report for June only carried it to 258 feet although the core analysis by Mr. Ward heretofore sent you covered the entire length of the core drilling hole to 303 feet.

Regarding the cost of core boxes, they were furnished by Boyle Bros. Drilling Co. but the cost of them was charged to our account and were included in the extremely high charge for the core drilling. All cores are properly labeled and are carefully tied, subject to your inspection at all times. And that is one reason why I am sending you copies of the drilling contract between Boyles Bros. Drilling Co. and San Simeon Keystone, Inc. and we paid for these core boxes at 80¢ per box as listed in our application under the OME contract for the month of June.

I am also enclosing to you paid bills showing assays which I have paid practically all of which were taken from the tunnel. I think this covers everything you have suggested to me as supplemental to our application for your participation to the extent specified under our OME contract and if it can possibly be approved and sent on to Washington so that we might receive the proper part that we should receive under this OME contract, we would appreciate it. We also appreciate how very very busy you are attending to so many of these OME contracts all over the West and I am sure you will pardon us for saying that we deeply appreciate your interest and cooperation in our efforts to establish that the Keystone Mine has real potential as a mercury producer.

If anything further is needed, please call me collect but I think this supplies the additional information you desired.

Sincerely yours,

SAN SIMEON KEYSTONE, INC.

H A Savage

H. A. Savage, Vice President
and General Manager

HAS:rs
encls.

DIAMOND CORE DRILLING
DIAMOND DRILLING EQUIPMENT
GROUTING
FOUNDATION TESTING
MINING
QUARRYING
SHAFT SINKING
TUNNEL DRIVING
MINE PLANT DESIGN
AND FABRICATION

Bayles Bros.
DRILLING COMPANY

CONTRACTORS-ENGINEERS-GEOLOGISTS

Highway 40 at Lincoln Turn-off
2½ Miles West of Auburn, California
P. O. Box 831 Auburn, California
Phones: Office: 885-4081
Home: Carmichael, Calif.
489-3860

General Offices and Plant
1634 Pioneer Road P. O. Box 58
SALT LAKE CITY 10, UTAH
HUnter 7-7995

BRANCH OFFICES
PHOENIX
RENO
SPOKANE
DENVER
ST. LOUIS

May 13, 1964

Mr. H. A. Savage
915 Helm Building
Fresno, California

Reference: Exploratory Drilling at Keystone Mine.

Dear Sir:

The following proposal is submitted in accordance with your verbal request for underground exploratory drilling to be done at the Keystone Mine near Gambria, California.

Item 1 - Mobilization and demobilization of 1 underground core drill and accessories and 1 315 C.F.M. compressor. $1,750.00

Item 2 - Core drilling - 6 days a week, per 8 hour shift 140.00 ?
Plus the following charges per lineal feet drilled:

	AX	BX	NX
0 to 300 feet in depth	4.00	5.00	6.60
300 to 600 feet in depth	5.00	6.60	

I We will supply a 315 C.F.M. compressor, cardboard core boxes and drilling bits.
Drill crew consisting of 1 Foreman-driller and 1 drill helper.

Item 3 - Reaming, if required - 140.00 per 8 hour shift
Plus 1.90 per lineal foot, all sizes.

Item 4 - Cementing, redrilling cement or mixing drilling mud - 140.00 per 8 hours or 17.50 per hour
Plus cost of cement, cement substitutes or drilling mud, if required, delivered at the job site.

You are to supply the following at no cost to Bayles Bros. Drilling Company:

Access to work area.
Sufficient water and lights at drill stations.
Install 2" air line from portal to drill station.

For holes drilled to 300 feet in depth, we would require a minimum of 16 feet of room in line with the hole. Holes that are over 300 feet in depth will require a minimum of 26 feet of room in line with the hole.

Our rates are based on drilling a minimum of 850 linear feet. If after drilling this minimum footage, you should decide to continue with this drilling program, we would review our costs and make whatever equitable adjustment in these rates that we possibly could.

If you have any questions concerning this proposal or the work, we would be very pleased to answer them.

Thank you for calling on us.

Very truly yours,

BOYLES BROS. DRILLING COMPANY

PETER CHESSLER, District Manager

PC/jz

cc: Boyles Bros S. L. C.

BOYLES BROS. DRILLING COMPANY
SHIFT REPORT

JOB [illegible] DATE [illegible]

SHIFT DAY [illegible] SWING [illegible] NITE [illegible] HOLE NO. [illegible]

RODS, END OF SHIFT [illegible]
STICKUP, END OF SHIFT [illegible]
DEPTH, END OF SHIFT [illegible]
DEPTH, START OF SHIFT [illegible]
DRILLED [illegible]
CORE RECOVERED [illegible]
TYPE OF ROCK [illegible]
NUMBER OF RUNS [illegible]

MUD
TYPE
CAL-SEAL
LUMNITE
PORTLAND
ADDITIVES
WATER [illegible]

FEET CASED [illegible] FROM [illegible] TO [illegible] SIZE [illegible]
FEET REAMED [illegible] FROM [illegible] TO [illegible] SIZE [illegible]
CEMENT DRILLED [illegible] FROM [illegible] TO [illegible]

TIME CHARGES

DRILLING [illegible]
REAMING [illegible]
CASING [illegible]
SET-UP, TEAR DOWN [illegible]
MIXING MUD [illegible]

CEMENTING [illegible]
EQUIP REPAIR [illegible]
STAND-BY OR SURVEY [illegible]
WATER DELAY [illegible]
WASHING OR CLEANING [illegible]

BITS AND SHELLS

BIT NO. [illegible] SIZE & TYPE [illegible] OVERSIZE [illegible] ON [illegible] OFF [illegible]

SHELL NO. [illegible] TYPE [illegible] ON [illegible] OFF [illegible]

BIT CONDITION [illegible] REASON FOR RETIRING [illegible]

REMARKS (Explain delays and hole condition) [illegible]

DRILLER [illegible] HELPER [illegible]

MACHINE NO. [illegible] FOREMAN [illegible]

7

The EISENHAUER LABORATORIES
316-322 South San Pedro Street
Phone MAdison 2-9328 . . . LOS ANGELES 13, CALIF.

M. EISENHAUER, JR.
A. EISENHAUER, DECEASED

Established 1916
ASSAYERS
METALLURGISTS
CHEMISTS
ORE TESTING

April 25/64

Mr.H.A.Savage
Fresno
Calif.

Subject : Assays of Ore.

Marked :	Mercury(Hg)
# 1	.21 %
# 2-end of shaft	.25 %
# 3	1.42 %

Respectfully submitted
Eisenhauer Laboratories
M.Eisenhauer,Jr

ED. EISENHAUER, JR.
E. EISENHAUER RAYBORNE

The EISENHAUER LABORATORIES

316-322 South San Pedro Street
Phone MAdison 2-9328 . . . LOS ANGELES 13, CALIF.

Established 1916
ASSAYERS
METALLURGISTS
CHEMISTS
ORE TESTING

April 24, 1964

San Simeon Keystone, Inc.
Fresno
California

Subject: Assays of Ores.

Marked:	Mercury (Hg)
#1-drill sta. -5' chip sample	0.21%
#2-grab sample-surface showing	0.12%
#3	7.95%
#4	1.82%

Respectfully submitted,

The EISENHAUER LABORATORIES

Ed. Eisenhauer, Jr.

ED. EISENHAUER, JR.
E. EISENHAUER RAYMOND

The EISENHAUER LABORATORIES

16-322 South San Pedro Street
Phone MAdison 2-9328 . . . LOS ANGELES 13, CALIF.

Established 1916
ASSAYERS
METALLURGISTS
CHEMISTS
ORE TESTING

March 24, 1964

H. A. Savage
Fresno
California

Subject: Assays of Ores

Marked:	Mercury (Hg)
#1-Stope	1.92% — 38.00 $ [illegible]
#2	0.20% — [illegible]

Respectfully submitted,

The EISENHAUER LABORATORIES

Ed. Eisenhauer, Jr.

(Paid by check of H.A.Savage,
Check No. 118 $28.00)

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

OFFICIAL FILE COPY
O. M. E.
RECEIVED 1964
DATE August 19, 1964

8/24		8 60
8/25	FMM	120 m
		120

Mr. H. A. Savage
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Savage:

In processing your June 1964 Operator's MME Forms 60 and 61 and approving reimbursement for your contract work the following information is required:

1. The cost of the core boxes and the price of assay reports should be documented by invoices.

2. A letter requesting a change in Amendment No. 2, item 5; allowing AX drilling as well as EX drilling in order to complete the drill hole. Justification for this change should be mentioned in your letter of request.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer
OME, Region II

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
8/18		120M
"	Johnson	110
8/18	Cac	220
8/18	on leave	120

August 18, 1964

Memorandum

To: Files

From: Chief, Contract Administration and Audit Division

E D Talbert

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Mr. Fillo telephoned on the afternoon of August 17 with, as he said, "one question" regarding our August 11 memorandum about the subject Operator's June 1964 MME Forms 60 and 61.

He questioned the statement in our memorandum that underground drilling was required to be BX size. He quoted item 5 of Amendment No. 2 as stating "Surface holes shall be drilled by using NX non-coring bits" but said he could find no specifications for the underground drilling.

I called his attention to the remainder of the sentence that he partially quoted, i.e., "and underground holes by using BX coring bits (1-5/8-inch core diameter".)

EDTalbert/ama 8-18-64

cc:
Director's Reading File
CA & A Division

23263

Form 7

OFFICIAL FILE COPY

Date	Surname	Code
8/10	Murphy	120M
	[illegible]	120
8/11	[illegible]	220
		120 M

AUG 1 1 1964

Memorandum

To: Acting Field Officer, Region II

From: Chief, Contract Administration and Audit Division (Signed) E. D. Talbert

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

The enclosed copy of the subject Operator's June 1964 MME Forms 60 and 61, together with attachments, was submitted with your August 6 memorandum requesting "comments and advice as to what items are allowed in approving reimbursement for his contract work".

These forms claim costs as follows for the first 258 feet of underground hole no. 1:

Cat. (1) -	Mobilization	$ 875.00
	Drilling: NX core, 40' @ $6.60	264.00
	BX core, 204' @ 5.00	1,020.00
	AX core, 14' @ 4.00	56.00
Cat. (2) -	Supervision & Technical	480.00
	Outside Consultants	500.00
	Labor	480.00
Cat. (3) -	Timber	160.00
	Explosives	32.00
	Pipe	62.50
Cat. (4) -	Rental	315.00
Cat. (7) -	Liability Insurance	750.00
	Assays	56.00
	Core Boxes	18.70
Total		$5,069.20

The contract as amended authorizes contribution by the Government to the cost of not to exceed 800 feet of underground BX size core drilling by an independent contractor on an actual cost basis not in excess of a maximum average unit cost of $6.75/foot, exclusive of reaming and casing, or cementing or redrilling at a maximum average unit cost of $3.50/foot. In addition, the contract

23263

authorizes contribution to the actual costs of necessary core boxes and assays for mercury plus a fixed unit cost (in lieu of all other costs whatsoever) of $.84/foot of core drilling.

The July 11, 1964, invoice of Boyles Bros. Drilling Company apparently supports total costs of $4,557.00, including $875.00 for mobilization, for the 258 feet of drilling. However, the invoice, as well as the drill log, indicate that the last 14 feet of the 258 drilled during June was AX size. The drill log further indicates that the AX size was continued for the hole's entire length of 302 feet. Furthermore, the claimed costs of core boxes and assays are not documented by invoices and priced assay reports, respectively. Accordingly, it appears that none of the claimed costs are allowable at the present time.

If the location, depth, direction, and inclination of drill hole no. 1 was approved in advance (as required by the contract) and was drilled accordingly, if the contract is justifiably amended to allow completion of the hole by AX size coring bits at the present maximum average unit cost, if all the charges stated on the driller's July 11 invoice are necessary direct costs of hole no. 1, and if the core boxes and assays are supported by appropriate documentary proof of the actual costs claimed, then it appears that the following June costs may be allowable for contribution by the Government:

Cat. (1) - Drilling, 258' @ $6.75	$1,741.50
Cat. (3) - Core Boxes	18.70
Cat. (7) - Assays	56.00
Incidental Allowance, 258' @ $.84	216.72
Total	$2,032.92

EDTalbert/ama 8-10-64

cc:
Docket
Director's Reading File
CA & A Division
Fiscal Section
Mr. Talbert

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

OFFICIAL FILE COPY		
O. M. E.		
RECEIVED AUG 10 1964		
DATE	INITIALS	CODE
August 6, 1964		
~~Contract Administration~~		
8/10		~~800~~

Memorandum

To : E. Dallas Talbert, Chief, Division of Contract Administration and Audit, OME, Washington, D. C.

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed is a copy of the subject June monthly voucher which the operator has submitted for approval and reimbursement.

It is quite obvious that most of the items the operator has listed are disallowed. I should appreciate your comments and advice as to what items are allowed in approving reimbursement for his contract work.

Please return the copy with your comments so that I may approve for further processing.

Paul V. Fillo

Paul V. Fillo

Enclosure
cc:
Chief, Division of Exploration Operations, OME, Washington, D. C.

OFFICIAL FILE COPY

Date	Surname	Code
		✓

August 10, 1964

Memorandum

To: Chief, Division of Exploration Operations

From: Chief, Contract Administration & Audit Division

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

It is suggested that, at such time that an amendment to the subject contract may be drafted, a correction in the Estimated Cost of the Project is advisable.

The contract as amended authorizes the performance of and provides Category (1) costs for 1,357 feet of surface drilling and 800 feet of underground drilling. Although this amounts to only 2,157 feet in total, an incidental allowance on a fixed unit cost basis is provided for 2,500 feet of drilling.

If the contract is not amended, we conceivably may be placed in the compromising position of contributing to incidental allowance on footage in excess of the acceptable drilling. The possibility of this situation is emphasized by the statement in the Operator's June 1, 1964, letter that "It is our present intention to continue core drilling beyond the 850 feet /sic/ covered by the OME if our original core drilling justifies it * * * ".

EDTalbert/ama 8-10-64

cc:
Director's Reading File
CA & A Division
Mr. Talbert

23263

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

Memorandum July 21, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Simeon Obispo, California
Contract No. 2157

Enclosed is a revised Equal Employment Opportunity form for the Keystone mine.

Augusta Nealon
For: Paul V. Fillo

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUL 27 1964

DATE	INITIALS	CODE
7/27	[illegible]	120
		120M

cy-120

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
450 GOLDEN GATE AVENUE, BOX 36012
SAN FRANCISCO, CALIFORNIA, 94102

Date: July 20, 1964

Memorandum

To : Files

From : Acting Field Officer, Region II

Subject: Equal Employment Opportunity Under Government Contracts
OME- 6168 (Mercury)
Operator: San Simeon Keystone
Name of Property: Keystone Mine
County-State: San Luis Obispo
Contract No.: 2157

I have obtained the following information from my visit to the above mentioned operating project:

		Contract	Company
1.	Number of all employees	2	1
2.	Number of women employees	0	
3.	Number of Negro employees	0	
4.	Number of other minority groups (Indian, Latin, Oriental, etc.)	0	
5.	Was employment through a union?	No	
6.	Distance to the closest union headquarters.	San Luis Obispo - 45 miles	
7.	Are the discrimination posters prominently displayed? sent		
8.	If employment was through a union, was the union furnished Standard Form 38?	No	
9.	If employment was not through a union, in what manner was employment made?	No interest in mining ? $2.50 per hour.	

Remarks: Acts of intimidation matters discussed with operator

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

Memorandum

July 17, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Simeon Obispo, California
Contract No. 2157

7/20		100
7/20		~~110~~
7/20		~~800~~
		~~120~~
7/21		120

Interim Inspection

The property was inspected July 9, 1964, and the Acting Field Officer was accompanied by H. A. Savage, manager of the property, and his geologists, M. C. Richardson and Mark Ward.

Number 1 underground diamond-drill hole was completed July 3, 1964, and it had been drilled a total footage of 303 feet. The drill hole penetrated through a large fault zone of brecciated chert and silica--carbonate rocks.

At the 231-foot mark a sandstone formation was encountered, and the drilling was continued in the sandstone to the 303-foot mark where the drilling was stopped. The results of this drill hole for mineralization of mercury was negative.

Number 2 drill hole was started at the time of my visit on the property and a discussion on the bearing of this hole was held with Mr. Savage's geologists. At the conclusion of this meeting the decision was to swing the hole more to the east N 80 E in the hopes of encountering a favorable mineralized zone. The dip of this hole was discussed and we agreed to have it about a 33 degree.

In my talking with the operator this morning by 'phone, he advised me that the No. 2 drill-hole has advanced 150 feet; however, the results have not been of any real importance. Mr. Savage and his geologist, Mr. Richardson, will be visiting the property this afternoon to decide what their next move will be after they inspect the cores.

With the information from these two drill holes, possibly for No. 3 drill hole, the dip will be steepened. A full report will be received from the operator within a week as to their decission.

Paul V. Fillo

Paul V. Fillo

cc:
Chief, Division of Exploration Operations, OME, Washington, D. C.

P. S. Enclosed is the Equal Employment Opportunity form for the Keystone mine.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
450 GOLDEN GATE AVENUE, BOX 36012
SAN FRANCISCO, CALIFORNIA, 94102

Date: July 9, 1964

Memorandum

To : Files

From : Acting Field Officer, Region II

Subject: Equal Employment Opportunity Under Government Contracts
OME- 6168 (Mercury)
Operator: San Simeon Keystone, Inc., Assignee
Name of Property: Keystone Mine
County-State: San Luis Obispo, California
Contract No.: 2157

I have obtained the following information from my visit to the above mentioned operating project:

		Subcontract	Company Employees
1.	Number of all employees	2	1
2.	Number of women employees	-	
3.	Number of Negro employees	-	
4.	Number of other minority groups (Indian, Latin, Oriental, etc.)	-	
5.	Was employment through a union?	No	
6.	Distance to the closest union headquarters.	45 miles - San Luis Obispo, Cal.	
7.	Are the discrimination posters prominently displayed?	Yes	
8.	If employment was through a union, was the union furnished Standard Form 38?	-	
9.	If employment was not through a union, in what manner was employment made?	-	

Remarks: The employee has an interest in the property

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

OFFICIAL FILE COPY
RECEIVED
DATE June 24, 1964
Received 500

Memorandum

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

From : Acting Field Officer, OME, Region II

Subject : OME-6168 (Mercury)
San Simeon Keystone
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Enclosed are the original and two copies of Amendment No. 3 of the subject contract properly executed by the operator.

The remaining copies of the Amendment No. 3 have been distributed in the usual manner.

Also enclosed are copies of two letters from the subject operator for your information.

Paul V. Fillo
Paul V. Fillo

Enclosures

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

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

JUN 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

June 22, 1964

Mr. Paul Fillo
Bureau of Mines
Office of Minerals Exploration
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California

Dear Sir:

Your letter of June 16, 1964, was received and would have been promptly mailed to you, but since you requested that Jack Selby sign the amendment No. 3, I was only able to secure his signature on last Saturday. I am now pleased to mail you the properly executed Amendment No. 3 to your Exploration Contract dated the 9th day of June, 1964. We appreciate this extension and will not take advantage of it by any letdown in our efforts to complete the exploration contract.

Sincerely yours,

SAN SIMEON KEYSTONE, INC.

H. A. Savage

H. A. SAVAGE, Vice President
and General Manager

HAS:m
Encls

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES B. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

[illegible]

[illegible] a very clear [illegible] high [illegible] in the [illegible] what I [illegible] perhaps the [illegible] hauled to [illegible] miles away as there was a road running [illegible].

I am enclosing [illegible] copies of this letter so that you can [illegible] our utmost [illegible] everything is [illegible] templated [illegible] by Mr. [illegible].

Very truly yours,

SAN JUAN PYRITES, INC.

H. A. Savage

H. A. SAVAGE, Vice President
and General Manager

HAS:T
Enc.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

June 16, 1964

Mr. H. A. Savage
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Limeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Dear Mr. Savage:

Reference to the above contract, we are enclosing the original and three copies of Amendment No. 3.

If the proposed Amendment meets with your approval and Jack Selby, please have Jack sign and return the following copies to this office:

Government's copy
Fiscal Section's copy
Audit's copy
Field Officer's copy

The Operator's copy should be retained by you if the files have been transferred to your custody.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer
OME, Region II

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUN 19 1964

DATE	INITIALS	CODE
6/19		800
		500

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

Memorandum

June 15, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed is a copy of a letter from the subject operator for your information and files.

Paul V. Fillo

Paul V. Fillo

Enclosures

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

OFFICIAL FILE COPY
O. M. E
RECEIVED JUN 22 1964

DATE	INITIALS	CODE
6/22	[illegible]	800
		~~120~~
	[illegible]	500
6/22	[illegible]	~~120~~

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

June 12, 1964

JUN 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

Mr. Paul Fillo
U. S Bureau of Mines
Office of Minerals Exploration
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California

Dear Sir:

I feel obliged to report that despite Boyles Bros. Drilling Company having spent a week at the mine, they have not been able to do any core drilling more than 17 feet due to trouble with an old compressor which was totally inadequate; so I phoned Mr. Chesler, the Manager for this division and he immediately sent a mechanic to examine what was wrong and they are taking the old compressor down and putting in a new one, so it will be next week before major core drilling operations can be commenced. It seems that they, too, are hard pressed to keep up with their schedule and demand for core drilling, but I think now they will be able to drill in dead earnest during the next week and I will keep you advised.

Mr. Richardson was ready to take the geologist over to check on the cores today, but in view of the fact there are no cores of any consequence, we will hold the geologist in obeyance until they have resumed work.

Sincerely yours,

SAN SIMEON KEYSTONE, INC.

H A Savage

H. A. SAVAGE

HAS:m

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

Memorandum

June 11, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Enclosed are copies of two letters from the subject operator for your information and files.

Paul V. Fillo

Paul V. Fillo

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUN 15 1964

DATE	INITIALS	CODE
6/15		800
		500

Enclosures

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

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMherst 8-4536

JUN 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

June 1, 1964

Mr. Paul Fillo
Bureau of Mines
Office of Minerals Exploration
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California

Dear Sir:

This will advise you that Mr. M. C. Richardson and I went to the Keystone Mine on Friday, last, and Mr. Richardson gave final instructions as to the core drilling and so did I, and I am advised that everything is ready for the core drilling to start and Boyles Bros. Drilling Company have advised me by telephone that they will start moving their equipment to the Keystone Mine today, Monday, June 1st, and will be ready to start core drilling very soon thereafter.

You will be pleased to know that we have arrived at an arrangement whereby Mr. M. C. Richardson will be loaned to us to direct the core drilling and to evaluate the results and will have with him geologists from New Idria. We will keep you advised.

I am sure you will be glad to hear that Mr. Hyde Lewis, President of New Idria Mining & Chemical Company, has consented to allow M. C. Richardson, Vice President of New Idria Mining & Chemical Company, to serve us as our guiding engineer in ore developments in completion of our OME contract and thereafter. If the core drilling justifies our moving forward, we will have Mr. Richardson's advice and I am sure the cooperation and advice of Hyde Lewis through Mr. Richardson as to all important procedures.

? It is our present intention to continue core drilling beyond the 850 feet covered by the OME if our original core drilling justifies it to the end that we may block out what may be reasonably anticipated as the ore body to guide us to putting in the proper machinery and equipment for mining.

Sincerely yours,

SAN SIMEON KEYSTONE, INC.

By H A Savage

H. A. Savage, Vice President
and General Manager

HAS:m

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

JUN 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

June 3, 1964

Mr. Paul Fillo
U. S. Bureau of Mines
Office of Minerals Exploration
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California

Dear Sir:

Boyles Bros. should arrive with their equipment today at Keystone and Mr. Richardson and I will be over there Saturday and by that time they should be drilling.

After the core drilling has proceeded for a few days I am sure Mr. Richardson would be pleased to meet with you to get the benefit of your expert advice and to get the interpretations as far as the core drilling has progressed and, as you know, the first drill hole is aimed at the hoped for highgrade ore just below Station 14.

I will keep you advised.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

H A Savage m

H. A. Savage, V. P. and Gen'l Mgr.

HAS:m

Dictated but not read.

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	Arnold	500
5/27	[redacted]	800
	[illegible]	130
6/8	Johnson	110
	[illegible]	100
6/9	[illegible]	320
		500

JUN 9 1964

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

With reference to your May 14 memorandum, enclosed are the original and four copies of a proposed Amendment No. 3 to the subject contract, signed by the Acting Director for the Government. Also enclosed is an extra copy for field use.

If the proposed amendment is satisfactory to you and the Operator, all five copies should be signed by an authorized representative of the Operator. Thereafter, please distribute the copies in the usual manner.

If any part of the proposed amendment 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.

George C. Selfridge (gla)

Enclosures

MMerrithew/mm
5/27/64
cc: Director's Reading File
Review Committee
Docket

43683

DRAFT 6/2/64

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

AMENDMENT NO. 3

It is agreed this _____ day of _____, 1964, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter called the "Operator," that Exploration Contract 2157, as amended, is further amended, effective as of April 19, 1964, as follows:

1. The period fixed by Item 1 of Amendment No. 2 for completion of the work is changed from 24 months to 36 months from the date of the contract, or until April 19, 1965.

2. The maximum period for royalty payments and for the lien to secure the payments thereof provided for in Item 2 of Amendment No. 2 is extended from eleven (11) years to twelve (12) years from the date of the contract.

This amendment shall not be construed to increase the amount of any item designated as maximum, the fixed unit cost of any item of work, the estimated total cost of the project, or the aggregate total amount which the Government may be required to contribute.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____
Acting Director, Office of Minerals Exploration

SAN SIMEON KEYSTONE, INC., ASSIGNEE

By _____

Title _____

DMEA FORM 6 REFERENCE SLIP

REV. [illegible]56 DEFENSE MINERALS EXPLORATION AD[illegible]ISTRATION

TO:	INI[illegible]ALS	DATE
1. Associate Solicitor 6042		
2. W. R. Griswold, ~~XXXX~~ 4455		
3.		
4.		
5.		
FROM: W. R. Griswold		

FOR: Check items for action desired

x Action	____ Reply for signature of ____	
x Approval	____ Investigate	____ Surname
____ Comment	____ Recommendations	____ Signature
____ Conference	____ Rewrite	____ File
____ Instructions	____ Your information	

REMARKS:

INTERIOR DEPT.
MAY 25 1964
SOLICITOR
FROM SOLICITOR

RECEIVED
MAY 2[illegible] 1964
ASSOC. SOLICITOR
MINERAL RESOURCES

MAY 27 1964

FOR SIGNATURE

INT.-DUP. SEC., WASH., D.C. M8278

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 26 1964

DATE	INITIALS	CODE
5/26	[illegible]	800
	Grosvold	500

Memorandum

May 20, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed is a copy of a letter from the subject operator.

Also enclosed is an underground diamond core drill bid proposal from Boyles Bros. for your information and files.

Paul V. Fillo

Paul V. Fillo

Enclosures

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

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

May 18, 1964

MAY 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

Mr. Paul Fillo
Office of Minerals Exploration
Bureau of Mines
9007 Federal Building
450 Golden Gate Avenue
San Francisco, California

Dear Sir:

We have finally secured a proposal and commitment from Boyles Bros. Drilling Company on the Keystone Mine and while the cost is higher than we had hoped, there was no other alternative as we could not find anyone else available and we want to get started. I am enclosing herewith to you a copy of the proposal of Boyles Bros. dated May 13, 1964.

We have been trying very hard to get clear through to the end of the old tunnel and to the winze and we hope to do so during this week, although we have incurred what appears to be another raise which continues to cave in, requiring heavy spiling. I have my hoist on the ground if we do get to the winze so that we can clean it out - at least part way - and get the dip of the formation at the point of the winze.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

By H. A. Savage
H. A. Savage, V. P.-Gen'l Mgr.

HAS:m
Enc.

DIAMOND CORE DRILLING
DIAMOND DRILLING EQUIPMENT
GROUTING
FOUNDATION TESTING
MINING
BLASTING
SHAFT SINKING
TUNNEL DRIVING
MINE PLANT WORKS
AND PROSPECTING

Boyles Bros. Drilling Company

CONTRACTORS ENGINEERS GEOLOGISTS
Highway 49 at Creek Pumpout
2½ Miles West of Auburn, California
P. O. Box 931 Auburn, California
Phone Office: 639-4231
Home Residence: Calif.
639-2060

Central Office and Plant
1524 Parker Road P. O. Box 99
SALT LAKE CITY 10, UTAH
Phone 7-7679
BRANCH OFFICES
Phoenix
Reno
Spokane
Hancock
St. Louis

July 19, 1963

Mr. R. A. Sears
Gil Hale Drilling
Fresno, California

Reference: Exploratory Drilling at Kaplan Mine.

Dear Sir:

The following proposal is submitted in accordance with your verbal request for exploratory drilling to be done at the Kaplan Mine near Shasta, California.

Plan 1 - Mobilization and demobilization of 1 underground core drill and compressor and 1 315 C.F.M. compressor. $2,750.00

Plan 2 - Core drilling - 6 days @ $[illegible], per 8 hour shift $[illegible]
Plus the following charges per lineal foot drilled

	AX	BX	NX
0 to 300 feet in depth	4.00	5.00	6.00
300 to 600 feet in depth	5.00	6.00	

1 [illegible] to drill county 0.305 C.F.M. compressor, standard core barrel and drilling bits.
Drill crew consisting of 1 Foreman-driller and 1 Drill helper [illegible]

Plan 3 - Bonding, if required - $10.00 per 8 hour shift
Plus 1.50 per lineal foot, all sizes.

Plan 4 - Cementing, mudding cores or mixing drilling mud - $10.00 per 8 hours or 17.50 per hour
Plus cost of cement, cement substitutes or drilling mud, if required, delivered at the job site.

You are to provide the following at no cost to Boyles Bros. Drilling Company:

Access to test sites.
Sufficient water and [illegible] to drill operations.
Protection of the drill site [illegible] to drill operations.

For holes drilled to 300 feet in depth, we would require a minimum of 15 feet of clay in line with the hole. Holes that are over 300 feet in depth will require a minimum of 25 feet of [illegible] in line with the hole.

Our rates are based on drilling a minimum of 150 linear feet. If after drilling this minimum footage, you should [illegible] [illegible] with this drilling, [illegible] we would [illegible] our [illegible] and make whatever [illegible] [illegible] in these rates that we [illegible] [illegible].

If you have any questions concerning this proposal or the work, we would be very pleased to answer them.

Thank you for calling on us.

Very truly yours,

BOYLES BROS. DRILLING COMPANY

[illegible] [illegible], District Manager

[illegible]/[illegible]

c/o Boyles Bros D. L. Co.

Second Draft
~~SECOND DRAFT~~
WRGriswold/mm
5/22/64

~~520~~
~~120~~
502

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

AMENDMENT NO. 3

It is agreed this _____ day of _____, 1964, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter called the "Operator," that Exploration Contract 2157, as amended, is further amended, effective as of April 19, 1964, as follows:

1. The period fixed by Item 1 of Amendment No. 2 for completion of the work is changed from 24 to 36 months from the date of the contract, or until April 19, 1965.

2. The maximum period for royalty payments and for the lien to secure the payments thereof provided for in Item 2 of Amendment No. 2 is extended from eleven (11) years to twelve (12) years.

3. Under Article 1 of the contract, as amended by Amendment No. 2, Item 3, the total estimated cost of the work is changed from $45,388.50 to $50,814.00, and the contribution by the Government is changed from a maximum of $22,694.25 to $25,407.00.

4. Item 6, of Amendment No. 2 is deleted and the following substituted:

In Exhibit A under the heading "Description of the Work," Stage I, the second paragraph is deleted and the following is substituted:

1,357 feet of surface drilling shall be performed at the approximate locations indicated in red color on Figure 2, titled "Grid for Exploration." Also not to exceed 1,500 feet of underground drilling shall be done, with hole locations, attitudes, and depths, to be approved in advance by the Government. The Government shall contribute to the cost of assaying not to exceed 200 samples under Stage I.

5. Item 7 and 8 of Amendment No. 2 are deleted and the following is substituted:

Stage I

Actual Costs

Category (1) Independent Contracts

Surface drilling, 1,357 ft. @ $1.50	$ 2,035.50
Underground drilling, 1,500 ft. @ $6.75	10,125.00
Reaming and casing or cementing and redrilling, 500 ft. @ $3.50	1,750.00
	$13,910.50

The sums of $15,904.00 and $19,747.00 as shown in Amendment No. 1 as the Total Actual Costs and Total Stage I are changed to $15,005.50 and $18,848.50, respectively.

The Cost Summary shown in Amendment No. 1 is deleted and the following is substituted:

Total Estimated Cost of Stage I	$18,848.50
Total Estimated Cost of Stage II	31,965.00
Total Estimated Cost of Project (rounded)	$50,814.00
Government Participation (rounded)	$25,407.00

6. It is the essence of this amendment that the work be completed on or before April 19, 1965, and if not so completed in the manner required by the contract, the following provisions shall thereupon become effective:

(a) The contract and all obligations of the parties thereunder, except as hereinafter provided, shall be and are hereby terminated ~~as follows:~~

~~(1)~~ Effective April 19, 1965, ~~if the work has not been completed by such date.~~

(b) The Government will contribute only to allowable costs incurred prior to the ~~relevant~~ date set forth in 6(a) above.

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

(d) 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 its interest in the land) shall pay to the Government the royalty on production provided for in the contract in the same manner and amount for the same period, and subject to the same conditions provided for in the contract, as amended herein, as if certification of possible production had been made, such certification being hereby waived by the Operator. In addition, all rights of the Government provided for in the contract with respect to a certificationof possible production, percentage royalty and liens to secure payment thereof, reports (including preservation of Operator's records), accounts, audits, and the right to recover any overpayments are hereby preserved.

(e) The Operator hereby releases and agrees to save the Government harmless from all claims or demands under or arising out of the contract, except as otherwise provided in this Amendment No. 3.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____
Acting Director, Office of Minerals Exploration

SAN SIMEON KEYSTONE, INC., ASSIGNEE

By _____

Title _____

DRAFT 5/21/64
WRGriswold/mm

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168

AMENDMENT NO. 3

It is agreed this _____ day of _____, 1964, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter called the "Operator," that Exploration Contract 2157, as amended, is further amended, effective as of April 19, 1964, as follows:

1. The period fixed by Item 1 of Amendment No. 2 for completion of the work is changed from 24 to 36 months from the date of the contract, or until April 19, 1965.

2. The maximum period for royalty payments and for the lien to secure the payments thereof provided for in Item 2 of Amendment No. 2 is extended from eleven (11) years to twelve (12) years.

3. Item 6 of Amendment No. 2 is deleted and the following substituted:

In Exhibit A under the heading "Description of the Work," Stage I, the second paragraph is deleted and the following is substituted:

1357 feet of surface drilling shall be performed at the approximate locations indicated in red color on Figure 2, titled "Grid for Exploration." Also not to exceed 1500 feet of underground drilling shall be done, with hole locations, depths, ~~directions, and inclinations~~ to be approved in advance by the Government. The Government shall contribute to the cost of assaying not to exceed 200 samples under Stage I.

4. Item 7 of Amendment No. 2 is deleted and the following is substituted:

In Exhibit A under the heading Estimated Cost of the Project, ~~as amended by Amendment No. 2,~~ Category (1) is deleted and the following is substituted:

Stage I

Actual Costs

Category (1) Independent Contracts

Surface drilling, 1357 ft. @ $1.50	$2,035.50
Underground drilling, 1,500 ft. @ $6.75	10,125.00
Reaming and casing, or cementing and redrilling, 500 ft. @ $3.50	1,750.00
	$ 13,910.50

The sums of $~~9,500.50~~ 15,904.00 and $~~13,423.50~~ 19,989.00 as shown in Amendment No. 1 ~~XXX~~ as the Total Actual Costs and Total Stage I are changed to $15,005.50 and $18,848.50, respectively.

5. The ~~Cost Summary shown in Amendment~~ No. 2 is deleted and the following is substituted:

Total Estimated Cost of Stage I	$18,848.50
Total Estimated Cost of Stage II	31,965.00
Total Estimated Cost of Project (rounded)	$ 50,813.50
Government Participation (rounded)	$24,406.75

6. ~~XX~~ It is the essence of this amendment that the work be completed on or before April 19, 1965, and if not so completed in the manner required by the contract, the following provisions shall thereupon become effective:

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

OFFICIAL FILE COPY O. M. E RECEIVED MAY 19 1964		
DATE	INITIALS	CODE
5/19	[illegible]	800
		120
Lrowed		500

Memorandum

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

May 14, 1964

Enclosed is a copy of letter from the subject operator. This office approves the operator's request for an underground diamond drilling program.

Upon completing hole No. 1, there may be a change in the bearing and inclination of hole No. 2. This office will be advised accordingly.

Paul V. Fillo

Paul V. Fillo

Enclosure

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

Contract provides for "not to exceed" 800 ft. of underground drilling. Opr. plans 3 holes with first 2 aggregating 900 ft. Another case of Opr. & Fillo asking us they please with amendment following ??

Talbert
5/19/64

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

May 12, 1964

MAY 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

United States Department of the Interior
Office of Minerals Exploration
555 Battery Street
San Francisco, California

Attention: Mr. Paul Fillo

Gentlemen:

I am enclosing herewith to you two diagrams of the area of the Keystone Mine where we intend to core drill the first two holes. I have already handed you a plotted line showing the direction and dip of these two holes and these holes were the result of the careful examination of the geologist report and mapping of the Keystone structure by Engineer G. Eberhart, now retired, by M. C. Richardson, Mining Engineer and Vice President of New Idria Mining & Chemical Company, and Mr. Richardson also submitted this report and his viewpoint to the two permanent geologists and mappers of New Idria Mine and Mr. Hyde Lewis, President and General Manager of the New Idria Mine.

We also enclose two photographic copies of the mapping of the area which Mr. Richardson and the other parties above named, as well as the writer, believe to be the most promising area of the Keystone structure at depth. On these two mappings we have indicated in red pencil the direction of the first hole to be core drilled, which we estimate will run approximately 350 feet. Our second core hole will start from the same location as No. 1, being the location designated and approved by your Mr. Fillo as the point from which core drilling is to be done and this No. 2 Hole may reach a distance of 550 feet.

We will keep you informed as to the result of core drilling No. 1 Hole and, as Mr. Richardson and I agree, what we find in the No. 1 Hole will be of great interest to us in connection with the length of No. 2 Hole and I will inform you immediately of the results of both No. 1 and No. 2 core drilling holes.

Boyle Bros. Drilling Company will do the core drilling and they will core drill a 1-5/8 inch core and they will also furnish core boxes and will split the cores as part of their arrangement. We will transmit to you one-half of these cores. The other one-half we will have sampled at Eisenhauer Laboratories. We will also secure a geologist to stand by the core drilling to be sure that the cores are properly numbered in their proper sequence in the core box and

cores will be taken, of course, every five feet.

The third hole which we will probably drill, will be along the lines which you had previously checked to determine the depth and the dip of the silicon carbonate vein because that seems to change its dip and at depth it may flatten out or do something else. We are now working to definitely find the winze which is reputed to have had very rich ore in it and especially, as Mr. Richardson requests, to get the dip at the point of the winze. We will keep you informed as to everything of real interest to you. May I add that it is a pleasure to work with you to try to delineate an economic ore body at the Keystone Mine.

Sincerely yours,

SAN SIMEON KEYSTONE, INC.

H A Savage

H. A. SAVAGE, Vice President
and General Manager

H. A. S.;m
Enc.

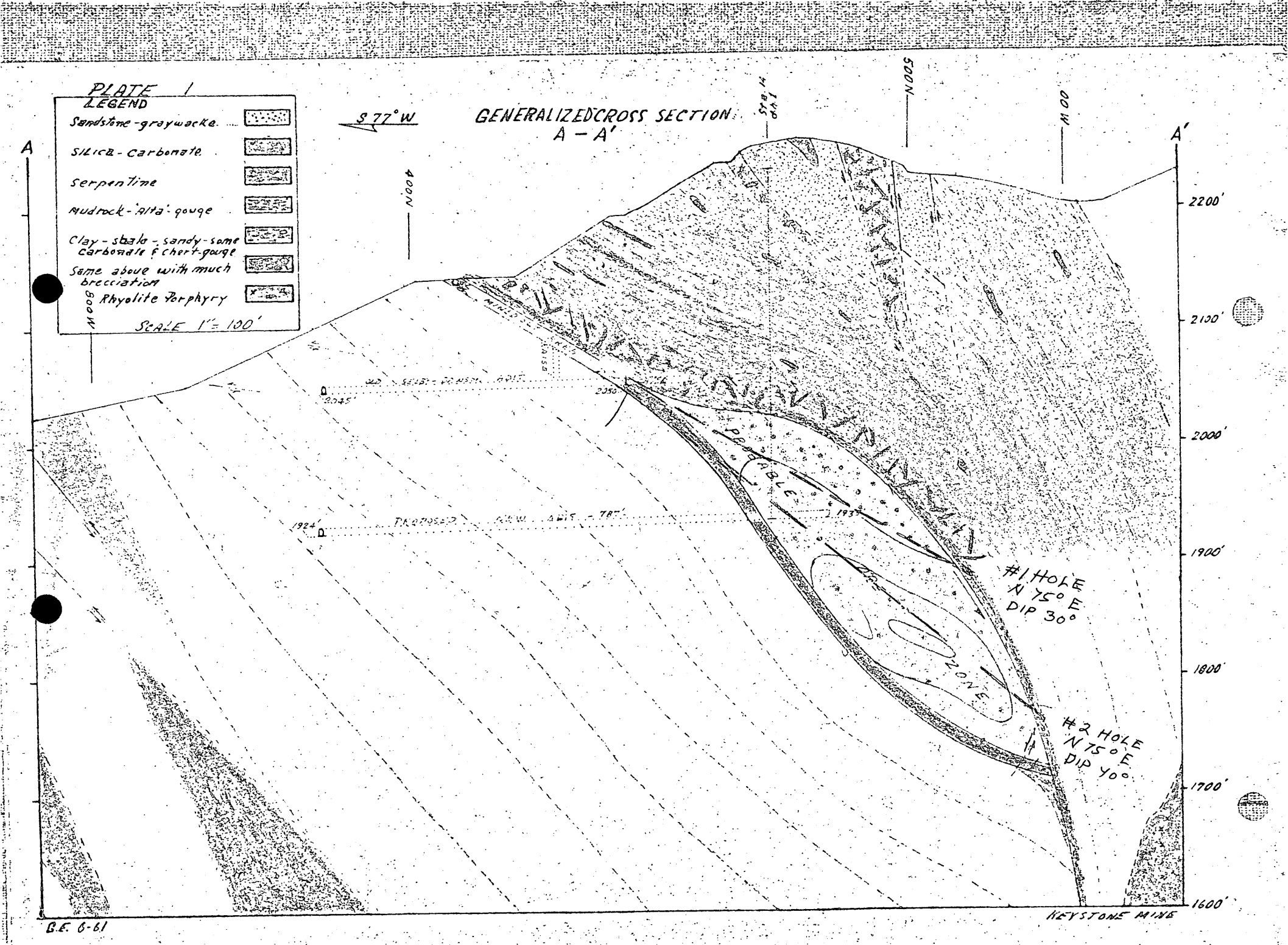


PLATE 1
LEGEND
Sandstone-graywacke
Silica-carbonate
Serpentine
Mudrock-'alta' gouge
Clay-shale-sandy-some carbonate & chert-gouge
Same above with much brecciation
Rhyolite Porphyry
SCALE 1" = 100'
S 77° W
GENERALIZED CROSS SECTION
A - A'
A
A'
N 00
N 005
N 004
N 003
2200'
2100'
2000'
1900'
1800'
1700'
1600'
2045'
2050'
1924'
1935'
PROPOSED NEW ADIT - 787'
PROBABLE ZONE
#1 HOLE
N 75° E
DIP 30°
#2 HOLE
N 75° E
DIP 40°
KEYSTONE MINE
G.E. 6-61

Re: OME-6168 Renewal - hold this

This was originally a 12 month contract, but Operator performed only about 1/10 of work in that period and none since then.

Question: How can Operator reasonably be expected to perform 9/10 of work in next 5 months?

Why not make what was work [illegible] [illegible] and then put on [illegible].

Talbut
5/12/04

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 13 1964
DATE

Memorandum

May 8, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Interim Inspection

On April 14, 1964, the property was inspected by the Acting Field Officer, who was accompanied by H. A. Savage, the new manager for the subject company. The mining operation consisted of rehabilitating the old adit to the winze. By my crawling over considerable amount of loose muck, I was finally able to inspect the end of the old adit. Bill Dawson, mine foreman, mentioned that he felt that within 10 to 15 feet from where we were inspecting, the old winze might be exposed. A grab sample was taken from the footwall and hanging wall in the area.

In my discussion with Mr. Savage, we agreed that before any underground diamond drilling be conducted, the area of the winze should be exposed in order to determine the direction and dip of the winze.

It was suggested to Mr. Savage that the surface and the underground areas should be mapped and geologized to determine if it is possible to correlate the work that was done on surface drilling in the first stage of the contract. He approved the suggestion and he will have the area surveyed.

Mr. Savage was also reminded to submit a letter to our office requesting an extension of the contract in the completion date, and also informing us of or about the date the underground diamond drilling would start.

Indications are that they have the finances now to start and to complete this contract. Presently, they have five men working underground, cleaning up the adit. It is Mr. Savage's feelings that this underground diamond drilling will be started within 30 days. Mr. Savage was reminded to read Item 6 of the Amendment No. 2 which states that "...hole locations, depths, directions, and inclinations to be approved in advance by the Government...."

Paul V. Fillo

Paul V. Fillo

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
450 Golden Gate Avenue, Box 36012
San Francisco, California, 94102

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 11 1964

DATE	INITIALS	CODE
		800
		[redacted]
	Reviewed	500

Memorandum

May 5, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed are copies of two letters from the subject operator which were received while I was on a field trip.

In order for them to complete their contract work, it is recommended an amendment be prepared to extend the contract time six more months.

Yesterday, the operator telephoned to ask for a meeting this Thursday to review for Government's approval their underground-drilling plans.

This information will be forwarded to your office for further approval.

Paul V. Fillo

Paul V. Fillo

Enclosures

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

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

APR 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

April 15, 1964

United States Department of the Interior
Office of Minerals Exploration
555 Battery Street
San Francisco, California

Attention: Mr. Paul V. Fillo

Gentlemen:

In connection with the OME contract on the Keystone Mine, I want to thank you for your recent cooperation in connection with a real effort by competent engineers and operators to make something substantial out of the Keystone Mine. In order to do this, we will have to have some additional time to perform the contract with its two amendments and I am therefore as Vice President and General Manager in complete charge of all operations, requesting your department to grant a six-months' extension of time in which to complete the contract.

In support of this request, I want to say that the long delays and inactivity was caused by a very deep misunderstanding between the original pioneer efforts of Mr. Jack Selby and Mr. William Dawson, who acquired the OME contract and then assigned it to the San Simeon Keystone, Inc. corporation. I need not go into details, except that the breach was so bad and the loss of the lease was so acute, that I was called in as a mining lawyer and as a mining operator to try to straighten out the difficulties with the Phelan Land & Cattle Company, who is the lessor under the corporation's lease, and the attorney, Mr. Charles Ogle (a very fine gentleman, by the way), who had 70 per cent of the stock and, therefore, the control, but had neither the experience nor the willingness to put up more money and was unsuccessful in interesting capital. To make a long story short, after examination of the mine, itself, I thought there was real merit in the mercury mine in view of present prices, and I undertook the difficult job of reconciling all parties involved, including the lessor, and have succeeded in doing so and with the friendship of all the stockholders of the corporation, including the friendship of Mr. Ogle, who is a very fine young lawyer, and we have become real friends, (I know that he is pleased to have me take over the burden) and Mr. Vollmer, who handles the affairs of the lessor, Phelan Land & Cattle Company, and I have paid up all back rentals.

Mr. Fillo was very cooperative when I made a trip to San Francisco some four weeks ago to talk to him about the situation. The

result of these activities was that I have, representing the corporation, undertaken to perform the OME contract as far as it seems advisable to do so, and immediately I put a crew of four men in to clean out the tunnel, which they have done a week sooner than I thought - not thoroughly clean - but cleaned it out so we could get to the end of the old tunnel and where the winze near the end of the old tunnel took off, and I am keeping these four men on the job until they have made a clean job of cleaning out the old tunnel so that core drilling can move forward to determine by core drilling, in accordance with the directions of Mr. Paul Fillo, just what the values are, the depths, etc., at the point of core drilling, as heretofore agreed upon.

In further support of this application, I desire to advise you that our engineer is M. C. Richardson, who, in my opinion, is the most efficient mining engineer, as an executive, as a geologist, as a mechanic, and as a mine operator, I have ever met and I used Mr. Richardson to bring the Strawberry Mine, a tungsten mine in Fresno County, out of a shutdown condition to where it produced some two million dollars in tungsten and which we sold after $50,000.00 in dividends for $1,175,000.00 cash. Mr. Richardson is Vice President of the New Idria Mining & Chemical Company and, of course, Mr. Fillo has talked to Mr. Richardson and they see eye to eye as to mapping, etc. In addition, I have Mr. Hyde Lewis, who is President and Manager of the New Idria Mine, which is the American continent's largest producer of mercury in the Western hemisphere, and his assistant, Mr. M. C. Richardson, will be our guiding engineer. I am not modest, and perhaps I should not state this, but I have been successful in putting mines that were broken down and shut down into operation and to name a few: The Lynx Creek Placer Mine out of Prescott, Arizona; the Consolidated Tungsten Mine in Tulare County, which produced over a million dollars after it was tied up in a receivership and litigation; the Strawberry Mine, which I have referred to above; and the Cal-Tex Tungsten Mine in Fresno County, which has produced over $400,000.00. I was for two years President of the American Tungsten Association and placed on the United States Government committee of five (and as far as I know I still am) to get additional tungsten during the Korean War. I am a mining lawyer, a graduate of the University of California and Harvard University; but I enjoy more than anything else the actual operation of mines.

Maybe we can be successful - maybe we cannot; but we will surely carry on. The President of our company, Mr. Beverly Jones, is a very wealthy man, an outstanding and leading citizen, and there is no problem about money. We have it and we have people wanting to get in with us if I will say the word, which I will not do until we complete our core drilling.

One further thing I want to mention. In accordance with Mr. Fillo's suggestion and Mr. Richardson's suggestion, we will get competent geologists to map the area where our operations are going to be.

Under these conditions, I hope you can see your way clear to grant an extension of time for completion of the OME contract for a period of six months.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

By H A Savage
H. A. SAVAGE, Vice President
and General Manager

HAS:m

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

April 28, 1964

APR 1964
BUREAU OF MINES
MINERALS EXPLORATION
RECEIVED

United States Department of the Interior
Office of Minerals Exploration
555 Battery Street
San Francisco, California

Attention: Mr. Paul V. Fillo

Dear Sir:

I am doubting whether or not you are back at your office in San Francisco, but I am writing this so that you will have it upon your arrival.

Mr. Richardson has completed his examination and mapping of the Keystone structure, utilizing his documents and he and Mr. Hyde Lewis have checked all of these documents. He has had available the mapping of a very competent geologist and engineer, and he will very soon make his written opinion and accompany it with a map which will okeh the three holes which have been agreed upon; but Mr. Richardson believes that additional core drilling should be done in accordance with the mapping which he is now preparing and which he will forward to you very shortly. I am sure that you will be interested in receiving his report and map. It is the opinion of all of us whom you know and especially Mr. Goodwin, whom you met at Morro Bay and who is a mining engineer, that some additional coring should be made at the end of the winze, providing we can do it before the three holes have been finished.

We found out by continuing the tunnel from where it was at the time you were there that what was then believed to be the end of the tunnel was not the end of the tunnel and we have experienced some caving. A raise or ventilation clear to the surface has allowed some loose soft material to come down through it. Mr. Dawson advises that he, in bulldozing above, ran into this raise and filled it up with loose surface dirt so that it would not interfere with traffic over the area where he had graded, and he will probably now have the enjoyment of mucking out what was dumped in this open raise. However, we have four men working continuously and by the end of the week, a little sooner or later, we hope to be going forward - possibly to the end of the tunnel by the end of next week. The Cannon Drilling Company could not get to the Keystone Mine to do the core drilling for some three weeks or so, and this is very agreeable to us because we would like to clean out the winze, and you will see the importance of this again by Mr. Richardson's map which will go forward to you very shortly.

One little final thing I should not send you, but immodesty forbids me from restraining: you remember the rather rich looking sample which came from above at the big outcrop of the silicon vein which Mr. Richardson had taken a piece of? If I remember correctly, I thought it would go from 20 to 30 pounds and you thought it would probably go 8 or 9 pounds. I am enclosing a copy of Eisenhauer's analysis, showing that this one sample had 7.95% cinnebar and/or meta cinnebar, figuring out to just a little under 160 pounds. The sample that Mr. Richardson took at the tunnel point, you will note went about 36 pounds and I have repeatedly got higher assays from the samples which I have taken and had assayed by Eisenhauer; and the only way I can explain this is that much of the mercury must be of the meta cinnebar type as there is lots of this dark colored heavy material that hangs in the pan very much like cinnebar.

Pardon this long letter, but in view of your interest and courtesy to us, I thought you would like to receive this information.

Sincerely yours,

SAN SIMEON KEYSTONE, INC.

H A Savage

By H. A. SAVAGE, Vice President
and General Manager

HAS:m
Enc.

ED. EISENHAUER, JR.
G. EISENHAUER RAYMOND

The EISENHAUER LABORATORIES

316-322 South San Pedro Street
Phone MAdison 3-9328 . . . LOS ANGELES 13, CALIF.

Established 1916
ASSAYERS
METALLURGISTS
CHEMISTS
ORE TESTING

April 26, 1954

San Marcos Keystone, Inc.
Fresno
California

Subject: Assays of Ores.

Marked	Mercury (Hg)	
D1-drill cto. -9' chip sample	0.21%	big gray sack - W & D
D2-grab sample-surface scovlej	0.12%	from surface
D3	7.99%	selected high grade from big ant crop.
D4	1.82%	Richie's sample at drill point

Respectfully submitted,

The EISENHAUER LABORATORIES

Ed. Eisenhauer, Jr.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco, California, 94111

Memorandum

April 7, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed are copies of two letters from Mr. Savage, the new general manager of the Keystone property. These letters are for your information and file. If this arrangement is not in accordance with OME policy, please advise.

Paul V. Fillo

Paul V. Fillo

Enclosure

cc:

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

No correspondence required upon this.

OFFICIAL FILE COPY
O. M. E.
RECEIVED APR 13 1964

DATE	INITIALS	CODE
4/13	WJ	800
		~~120~~
		~~500~~

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

APR 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

March 31, 1964

Mr. Paul V. Fillo
Acting Field Officer
Office of Minerals Exploration
U. S. Department of the Interior
555 Battery Street
San Francisco 11, California

Re: San Simeon Keystone, Inc.

Dear Sir:

Mr. Charles E. Ogle has forwarded to me his letter from you to him under date of March 27, 1964, and a copy of his letter to you answering the same. I am glad you wrote to Mr. Ogle because he and I are very close friends and I am, at his request as well as the other directors, taking full and complete charge. The following is an excerpt from the Minutes of the meeting where this was accomplished, held at Morro Bay on March 20, 1964, when all the Directors were present:

> "Mr. Selby then moved that H. A. Savage be made Vice President and General Manager of the corporation's affairs, with full authority to act in connection with all development work and in connection with putting the mine into production, should core drilling and other activities justify it, and be given authority to make deposits in banks of funds of the corporation and make withdrawals therefrom, and draw checks on the bank account wherever the bank account, or bank accounts are located ..."

I thought perhaps you might need this in connection with your Washington Office.

I do not recall whether I phoned you to the effect that I had in the account of San Simeon Keystone, Inc., $11,000.00, which is only preliminary, to be used to pay for the core drilling and clearing the old tunnel so that we can get to the winze and the end of the old tunnel, insurance, etc. Whenever needed, all I have to do is to call for more money from our group and, in order that you might have the record, I am giving you the names of the officers of the corporation:

Beverly Jones, President, is a wealthy man, one of our leading citizens, who will, when called upon, as needed, advance other money and he will take stock for such advances, as will the other new stockholders, as soon as the permit for issuance of the remaining $93,000.00 par value stock of the corporation can be secured.

Mr. H. A. Savage is Vice President and General Manager and with all due modesty, can say he is financially responsible.

Mr. William J. Dawson is Vice President and in charge of cleaning out the tunnels and overseeing the core drilling.

Mrs. Margaret Miller is Secretary.

All communications about completion of the O.M.E. contract should be directed to me at this office and I will see that it is promptly attended to.

As I told you on the telephone, and I thought perhaps it might be well to have it in writing in your office, Mr. M. C. Richardson, a mining engineer and Vice President of New Idria Mining & Chemical Company, who will be our guiding engineer, and I, tentatively believe that we should try to reach the end of the tunnel and the winze and take samples there, all subject, of course, to your approval and, possibly, if you approve, do some core drilling at the end of the tunnel. We will, of course, follow the core drilling contract as you direct.

In furtherance of the core drilling and in resuming real activity at the mine, I am sending my D-4 bulldozer and winch over to the mine this weekend and the big bad ruts and bad places in the temporary road will be made passable so that the core drilling equipment can go in and people can go in and out temporarily, although before mining operations begin we think the next step should be the building of a road where the ground is not adobe and muddy and slick and, following that, we should complete the tunnel, all as outlined in our O.M.E. contract.

Perhaps you are wondering why an attorney should be given full power as well as made the legal adviser, I might mention briefly among other mining enterprises which I have taken over after they were bogged down from finances or other reasons and made a success out of them, one was the Strawberry Tungsten Mine which had been abandoned by the previous operators and engineers, which we made to more than double the capacity of the mine and, by putting in flotation, we brought the production up to @200,000.00 per month and sold it out after $50,000.00 in dividends for $1,175,000.00 cash. I took over the Consolidated Tungsten Mine when all of the owners voted unanimously to make me what they called "Czar" and it was then tied up in litigation with a receiver in charge. We straightened that out and we put it into production and it produced over a million dollars and is still producing some very fine limestone and I still handle all of the money and income for the owners and make division of it. Then I own the Cal-Tex Mine at the headwaters of Dinkey Creek, Fresno County, which I developed from its original capacity of 125 tons of hard rock per day to 250 tons of hard rock per day of 24 hours, which mine produced over $400,000.00. I was also President of the American Tungsten Association for two years just before the Korean War and on the Federal Government committee of five to

increase the production of tungsten during the Korean War and finally got the tungsten specifications changed from 4/10th of 1% moly to 2.75% moly, which made it possible for our western mines, practically all of them, to make the government specifications.

Please pardon my boldness and bad manners in giving you this information, but I thought it might be of interest to you, especially in connection with your Washington contacts.

I am also advising you that I have offered, in writing, and it has been accepted by the Board of Directors, to furnish any of the equipment that I have at the Cal-Tex Mine, which consists of everything, I think, that would be needed excepting the retort and, if flotation is used, the flotation cells; but the main items would be: 17000 Caterpillar diesel generator, primary and secondary crushers, mucking machine, tracks for drilling machines, all of standard make, two caterpillar-driven compressors, 350 cubic foot per minute capacity, standard ball mill, and complete electric switchboard, together with return pumps, etc., and tables, if flotation is to be used, and drill steel and everything that is necessary to give a mine a 250 ton capacity, all without any down payment and with the option to convert it into stock if the mine is successful; and if not successful, I will retain title and take the equipment back and only suffer the loss of the use of the equipment. I will receive for my services in putting the mine into operation, if the core drilling justifies it, 2% overriding royalty and that is all. I know that this may seem a little unusual but since everything will depend upon core drilling and delineating ore bodies that can be mined economically, if we make a success of that then I undoubtedly will turn all of the machinery into stock. The price will be agreed upon and determined by other people by appraisal so that I am not trying to get high prices for good used equipment.

Pardon the length of this letter, but I thought this information should be in your hands in writing.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

H. A. Savage

H. A. SAVAGE
Vice President and General Manager

HAS:m

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

APR 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

March 31, 1964

Mr. Paul V. Fillo
Acting Field Officer
Office of Minerals Exploration
U. S. Department of the Interior
555 Battery Street
San Francisco 11, California

Re: San Simeon Keystone, Inc.

Dear Sir:

I wrote you this morning, but this is a separate letter in which the San Simeon Keystone, Inc. is requesting an extension of time to complete the O.M.E. contract. The three times I have been over at the mine it has rained every day and it is raining again here today and it would be practically impossible to get any of the equipment in to the mine.

We want to be reasonable about the time requested, but I would suggest that in view of the running of tunnel, etc., before it could be completed, it would not be out of the way to have a matter of perhaps nine months; and this is a formal request of the San Simeon Keystone, Inc. for an extension of time.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

By H. A. Savage
Vice President and
General Manager

HAS:m

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco, California, 94111

Memorandum March 31, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed is a copy of a letter from the subject operator in answering your letter dated March 5, 1964, to me.

Paul V. Fillo

Paul V. Fillo

Enclosure

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

OFFICIAL FILE COPY
O. M. E
RECEIVED APR 3 1964

DATE	INITIALS	
4/6	[illegible]	800
		~~100~~
		~~500~~

Law Offices of
CHARLES E. OGLE

770 FIFTH STREET
MORRO BAY, CALIFORNIA
SPRUCE 2-7353

March 25, 1964

MAR 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

Paul V. Fillo
Acting Field Officer
OME, Region II
555 Battery Street
San Francisco, California 94111

Re: OME - 6168 (Mercury)
San Simeon Keystone, Inc.
Contract 2157

Thank you very much for your letter to me of March 23, 1964. Mr. H. A. Savage, attorney, 915 Helm Building, Fresno, California now represents the Corporation as its legal counsel and has arranged immediate financing so we can pursue the core drilling program without the need of an agreement with an operating company.

No doubt Mr. Savage will be in contact with you concerning our going ahead with the contract.

Very truly yours,

CHARLES E. OGLE
CEO:k
cc. Mr. H. A. Savage

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco, California, 94111

Memorandum

March 31, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed is a copy of a letter from the new general manager of the Keystone mine, Mr. Savage.

A trip is tentatively scheduled on or about April 14, 1964.

Paul V. Fillo

Paul V. Fillo

Enclosure

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

OFFICIAL FILE COPY
O. M. E
RECEIVED APR 8 1964

DATE	INITIALS	
4/6		800
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H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

MAR 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

March 25, 1964

Mr. Paul V. Fillo
Acting Field Officer
Office of Minerals Exploration
U. S. Department of the Interior
555 Battery Street
San Francisco 11, California

Re: Keystone Mine

Dear Sir:

Since I have inherited by unanimous approval of the original parties interested in the Keystone Mine, the general manager responsibilities of said mine, and since I have made three trips of inspection, particularly an all-day stay with Mr. Hyde Lewis, of New Idria, and their Vice President, M. C. Richardson, I trust you will pardon me for submitting to you for consideration, a matter which I think you already believe is important, and that is this:

Having gone into the existing tunnel and having talked to people who are supposed to have remembered about the possibilities of this mine being developed to a profitable one, it has occurred to me and some of our major contributors of the new capital required, that it is desirable to clear the tunnel clear through to its end and to prospect the winze. Without proper capital or skilled mining labor, especially in timbering, it seemed too big for the previous mine owners and operators to tackle this job, but we are intending to do this probably before we can get the core drillers on the job. If we do accomplish this result, it might be that it would be desirable to drill some of the core drilling holes in the area of the winze or at the head of the tunnel. Of course, since we will be operating under our O.M.E. contract, we will be guided completely by your good judgment and we have the money in the bank to immediately pay cash for the core drilling.

The heavy rains on the Coast have made it impossible for us, with the poor, steep road through adobe sections, to get to the mine by the old road and we believe we will have to do some bulldozer work on this road before the core drilling equipment can be taken to the mine. Next week I intend to send my own bulldozer over to the mine to repair the deep ravines washed out by the rains so that the road will be passable. After the core drilling has been completed, and

if it seems favorable, we would then put in a permanent road up San Simeon Creek which would cut off approximately two miles of distance and would be over area which does not contain adobe or slick formations and which has enough gravel and rock in it to make it an all-year road.

Mr. M. C. Richardson, our own mining engineer and geologist, who has worked with me for years at Strawberry Tungsten Mine, desires to take a trip to Arizona with his daughter, who has just returned from Government service all over the world, and it would be a great convenience to him and to us if we knew what dates of the following week (beginning April 6th) as early as possible, you could come to the mine so that Mr. Richardson and I could meet with you so that we could have first-hand your directions as to how the core drilling should, in your judgment, be conducted.

Very truly yours,

SAN SIMEON KEYSTONE, INC.

H A Savage

H. A. SAVAGE,
Vice President and General Manager

HAS:m

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco, California, 94111

March 31, 1964

DATE		
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Mr. H. A. Savage
915 Helm Building
Fresno, California

Re: OME-6168 (Mercury)
San Simeon Keystone Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Savage:

This is to acknowledge your two letters of March 20 and 23, 1964, in regards to the notification of your being the new manager for this contract.

I have sent Mr. Ogle a letter requesting a copy of the agreement with a request for approval. This information will be forwarded to our Washington office.

In answering your letter of March 23, 1964, I shall be making a trip in San Simeon area sometime after April 13 and you and Mr. Ogle will be advised on a tentative date scheduled for the inspection of the Keystone mine.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer
OME, Region II

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco, California, 94111

Memorandum

March 27, 1964

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 31 1964

DATE	INITIALS	
3/31	[illegible]	800
		120
	Processed	500

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed are copies of two letters from H. A. Savage advising us he has taken over the management of the Keystone mine.

Mr. Ogle, the attorney for the subject contract, has been instructed to submit immediately a copy of the agreement as well as a request for approval.

Paul V. Fillo

Paul V. Fillo

Enclosures

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

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

March 20, 1964

MAR 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

United States Department of Interior
Office of Mineral Exploration
555 Battery Street
San Francisco 11, California

Attention: Mr. Paul V. Fillo, Acting Field Officer
O.M.E. Region II

Dear Sir:

I am pleased to advise you that I have been successful in removing all internal matters in connection with the San Simeon Keystone, Inc., and I am being made Vice President and General Manager. I am making available the money to pay for the core drilling to be done as Part II, as I understand it, of the O.M.E. contract, with full authority to act for and on behalf of the corporation. Mr. Charles Ogle and I are working in complete harmony.

I have long been acquainted with Mr. Hyde Lewis, President and General Manager of the New Idria Quick Silver Mine, and his Vice President and Mining Engineer, M. C. Richardson, and yesterday I spent all day at the New Idria Mine trying to bring my knowledge of mercury mining, exploration and development up to date. Mr. Lewis has offered to release Mr. M. C. Richardson, whom all of us call "Richie", to go to the mine and inspect the conditions there and make recommendations as needed, but primarily to meet with you at the mine when you can come, so that the direction and depth of core drilling under the O.M.E. contract can be commenced with definiteness.

Mr. Richardson is going to the mine primarily to look over all conditions, including water supply, camp site, location of mill and retorts; but would like very much to meet you and get the benefit of your own good judgment in connection with the drilling operations. Mr. Richardson can go to the mine next Thursday or Friday, and if it is convenient to you, I would meet you at San Luis Obispo and, if coming by plane, at any time you indicate, and take you to the mine with Mr. Richardson. Mr. Richardson can get away for a couple of days on Thursday, next, March 26th.

I worked with Mr. Richardson for many years and I believe in him as one of the finest, well-balanced, experienced executive mining engineers I have ever met and I will be guided by Mr. Richardson's advice throughout our development; and also Mr. Hyde Lewis' advice, whom I believe to be the foremost mercury mining engineer in the Western Hemisphere. I am sure you know more about the New Idria

Mine than I do, but it has been a tremendous producer and is now producing between 700 and 1,000 flasks of mercury a month, with several hundred thousand tons of pay mercury ore already delineated and blocked out.

I am writing you this letter and will call you the first of the week to see if Thursday will be an acceptable day for you to come to San Luis Obispo and give your directions as to just how you want the work done and the depth and angles of the various core drilling holes. Mr. Dawson has already contacted the Cannon Diamond Drilling Company of Compton, California, who is familiar with the specifications.

Very truly yours,

H A Savage

H. A. SAVAGE

HAS:m

H. A. SAVAGE
RICHARD L. SHEPARD
JAMES S. SHEPARD

SAVAGE & SHEPARD
ATTORNEYS AT LAW
915 HELM BUILDING
FRESNO, CALIFORNIA
TELEPHONE AMHERST 8-4536

March 23, 1964

MAR 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

Mr. Paul V. Fillo
Acting Field Officer
Office of Minerals Exploration
U. S. Department of the Interior
555 Battery Street
San Francisco 11, California

Dear Sir: Re: San Simeon Keystone, Inc.

In view of the heavy rains which have occurred over in the vicinity of the Keystone Mine and in view of the adobe part of the road, I am sure we could not get up there for several days and I suggest that if at all possible for you to do so that we try to meet Thursday, week, which would be on April 2, 1964. If this time is not acceptable to you, I would appreciate your calling me on the telephone as I want Mr. Richardson to come along at the time you can come to get the benefit of your advice.

I have been made Vice President and General Manager of the San Simeon Keystone, Inc. and Savage & Shepard have been made attorneys, all in the friendliest relations with Mr. Ogle. I have the money to pay the full cost of the core drilling and we naturally are anxious to get rolling on it as soon as it is convenient for you to come (and the weather permits) to designate exactly where the core drilling should be done.

Very truly yours,

H A Savage m

H. A. SAVAGE

HAS:m

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco, California, 94111

March 27, 1964

DATE		
3/31	409	800
		120
		500

Mr. Charles E. Ogle
770 Fifth Street
Morro Bay, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Dear Mr. Ogle:

I have received two letters from H. A. Savage stating he is vice-President and General Manager of San Simeon Keystone, Inc.

Will you please send us a copy of whatever type of agreement is being considered and we shall forward to our office in Washington, D. C. for review with a request for approval.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer
OME, Region II

cc

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco, California, 94111

OFFICIAL FILE COPY
O. M. E
RECEIVED MAR 27 1964

DATE	INITIALS	CODE
3/27	CEO	800
	~~[illegible]~~	500

March 23, 1964

Mr. Charles E. Ogle
770 Fifth Street
Morro Bay, California

Re: ~~OME-6168 (Mercury)~~
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Dear Mr. Ogle:

Reference to your letter dated February 17, 1964, the third paragraph, please advise us just what type of operating agreement you have in mind.

If the proposed agreement is an operating agreement without any transfer of the OME contract or the operator's interest in the land, such an arrangement might be approved.

A copy of the agreement should be furnished this office with the request for approval.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer
OME, Region II

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

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	Arnold	500
3/5	Talbot	800
	GLS	130
3/5	Johnson	110
	Smith	100
3/5	Cole	220
		500

MAR 5 1964

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

We have your February 27 memorandum with copy of letter, dated February 17, 1964, to you from Charles E. Ogle, relating to the referenced project.

It is not clear to us just what type of operating agreement Mr. Ogle has in mind. If he desires to assign the OME contract to another party as was previously done in this case (Selby and Dawson to San Simeon Keystone, Inc.), we may approve the assignment if the assignee is acceptable to us, meets the OME criteria, and furnishes a new performance bond.

If he desires to contract the work to another party without the land or contract being assigned, it would be necessary to amend the contract to provide for performance under "Independent Contracts."

If the proposed agreement is to be merely an operating agreement, without any transfer of the OME contract or the Operator's interest in the land, such an arrangement might be approved. In any case, a copy of the agreement should be furnished this office with the request for approval.

Your attention is called to the early expiration date of the OME contract (April 19, 1964). Therefore, the contract will need to be amended to extend the completion date if work is to proceed under it.

George C. Salfridge (gla)

WRGriswold/gla
Rewritten: FEJohnson/gla/mm
cc: Director's Reading File
Review Committee
Docket
3/5/64

23263

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco, California, 94111

Memorandum

February 27, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

For your information and files, I am enclosing a copy of a letter from the subject operator. I should appreciate your advice in replying to the last paragraph of the operator's letter.

Paul V. Fillo

Paul V. Fillo

Enclosure

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

OFFICIAL FILE COPY
O. M. E
RECEIVED MAR 2 1964

DATE	INITIALS	CODE
3/2	mm	800
		120
	Stamped	500

Law Offices of
CHARLES E. OGLE

770 FIFTH STREET
MORRO BAY, CALIFORNIA
SPRUCE 2-7353

FEB 1964
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

February 17, 1964

Paul V. Fillo
Acting Field Officer
OME, Region II
555 Battery Street
San Francisco, California 94111

Re: OME -6168 (Mercury)
San Simeon Keystone, Inc.
Contract 2157

Belatedly, I enclose original and three copies of Amendment No. 2 to the above contract executed by the President of San Simeon Keystone, Inc. I would appreciate receiving at least one of the copies back, although I am sending all copies I have on to you because I am not sure how many you need to satisfy your requirements. I note they are already executed by the government.

We thank you for your patience in bearing with us for the period necessary to obtain Mr. Selby's signature. The blame in this regard rests squarely on my shoulders. It was simply the matter of the press of many other activities causing me to be tardy in following through and contacting Mr. Selby.

We are negotiating with various people concerning financing further operations of Keystone. One of the plans would involve Keystone contracting with a separation corporation, the operating company, which company would agree to fulfill the government requirements under Amendment No. 2 and also, if the government approves, perform under stage two of the contract. The company would then operate the mine and make a division of net proceeds with Keystone. From the government standpoint, under the contract, is there anything objectionable with this procedure? If so, would appreciate being advised at your earliest convenience.

CHARLES E. OGLE
CEO:k

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco, California, 94111

Memorandum

February 27, 1964

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed are the original and two copies of Amendment No. 2 of the above subject contract properly executed by the operator.

The remaining copies of the Amendment No. 2 have been distributed in the usual manner.

Paul V. Fillo

Paul V. Fillo

Enclosure

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

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 2 1964

DATE	INITIALS	CODE
		00

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco, California, 94111

OFFICIAL FILE COPY
RECEIVED

February 27, 1964

3/2 800
500

Mr. Charles E. Ogle
770 Fifth Street
Morro Bay, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Dear Mr. Ogle:

Enclosed is a copy of Amendment No. 2 to your contract that you requested. In all probabilities Mr. James S. Thwaites has the operator's copy since the copies of the Amendment No. 2 were sent to his office on August 27, 1963, for signature.

In answering to your inquiry in the last paragraph of your letter dated February 17, 1964, our Washington office will advise this office what course is allowed.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer
OME, Region II

Enclosure
cc

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

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	[illegible]	500
2/27	Talbert	500
	[illegible]	130
2/27	[illegible]	110
	[illegible]	100
2/28	[illegible]	220
		500

FEB 28 1964

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Please follow up your December 26, 1963, letter to the Operator and thereafter advise us as to present status.

George C. Selfridge (gla)

WRGriswold/mm (2/27/64)
cc: Director's Reading File
Review Committee
Docket

23263

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco, California, 94111

DATE		
		~~500~~
1/6	[illegible]	~~800~~
12/30	Murphy	500

December 26, 1963

Mr. Charles E. Ogle
770 Fifth Street
Morro Bay, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Ogle:

Kindly advise when we may expect to receive your signed copies of Amendment No. 2, which extended the completion date to April 19, 1964. When the finances are adequate to handle the contract work at some time prior to April 19, 1964, you may again make a request for the extension of the completion date.

Please let us know the date the work will start.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer
OME, Region II

cc:
James S. Thwaites
Chief, Division of Field Operations, OME, Washington, D. C.

OFFICIAL FILE COPY

Date	Surname	Code
12/12	Murphy	500
12/12	[illegible]	500
12/16	Talbut	800
	[illegible]	130
12/16	on leave	110
	[illegible]	100
12/16	[illegible]	220
		500

DEC 16 1963

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

This is to acknowledge your memorandum of December 5, 1963, and the attached letter of November 29, 1963, from the Operator requesting an extension of the completion date of the subject contract.

We have not received the executed copies of Amendment No. 2 which extended the completion date to April 19, 1964. It is suggested that the Operator execute this amendment and then if it has the finances to start work at some time prior to April 19, 1964, again make a request for the extension of the completion date and also advise the date work will start.

George C. Selfridge (gla)

FMMurphy/mm
12/12/63
cc: Director's Reading File
Review Committee
Docket

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco, California, 94111

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 10 1963

DATE	INITIALS	CODE
12/10		800
		~~120~~
	Murphy	500

Memorandum

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

From : Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

~~December 5, 1963~~

Enclosed is a copy of a letter from the subject operator, requesting additional time to their contract. Their "dilly-dally" disposition for the past year has been discouraging, and this could be blamed on their inexperience of mining, etc.

Possibly another chance is all right and if this is the case, it is recommended this will be their last authorized extension.

Paul V. Fillo

Paul V. Fillo

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

Amended No. 2 prepared in August 1963, to extend completion date to April 19, 1964, has never been executed.
???

Talbert
12/10/63

Law Offices of
CHARLES E. OGLE

770 FIFTH STREET
MORRO BAY, CALIFORNIA
SPRUCE 2-7353

DEC 1963
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

November 29, 1963

Mr. Paul V. Fillo, Acting Field Officer
OME, Region II
United States Department of the Interior
555 Battery Street
San Francisco 11, California

Re: OME-6168 (Mercury)
Jack Selby & William J. Dawson
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

This letter is directed to you in my capacity as attorney for, and an officer of, and a shareholder of, San Simeon Keystone, Inc.

The corporation is extremely desirous of going ahead under the amended contract and accomplishing the underground drilling. Unfortunately, certain refinancing activities must take place because the corporate funds are low. This must necessarily be accomplished by contributions by the various shareholders, either in the nature of purchase of additional stock, or in loans to the corporation, or, securing financing from sources other than the present shareholders.

I am actually at work on just such an endeavor at this time. I have had two meetings with an individual in the Los Angeles area who personally, and also with various associates, have a history of investing certain amounts of risk capital in endeavors such as this.

For your information, the corporation will need about seven or eight thousand dollars to perform adequately under the revised drilling program. This is so because rent must be paid each month and considerable sums must be expended in further clearing out of the shaft so that further data on the winze, as required by you, can be unearthed. In other words, the corporation's one-half of the underground drilling contractor's charges are only a part of the moneys that must be expended by the corporation.

Law Offices of

CHARLES E. OGLE

The purpose of this letter is to advise you that the corporation does not have any desultory attitude toward the mine itself, or its duties and obligations to the United States Government. Quite the contrary, we are confident that the underground drilling program, once accomplished, will provide us the data needed to demonstrate clearly and convincingly the merit of going ahead with stage two of the program.

With the above in mind, request is made that you give consideration to the following:

1. Being realistic, although a relatively small sum of money (about seven or eight thousand dollars) is needed, it may well be many weeks before either the person I am speaking to, or if this fails, other individuals, could be ferretted out, interested in the project, given an opportunity to study the voluminous technical data available, so that these further sums could be secured. We believe it is, however, quite realistic to proceed on the assumption that the necessary moneys will indeed be procured.

2. With the winter rains upon us, even if the funds are procured at a very early date, it may be impossible to get to the mine site over the road, when the same is rain-soaked, so as to accomplish the drilling program before April 19, 1964.

3. We believe an extension of time would serve the purpose of giving the corporation the further opportunity to perform, and, more important to you, if the granting of this further opportunity results in the funds being raised, the drilling accomplished, and substantial bodies of ore, being uncovered, the dominant purpose of the government's participation in the first place will be achieved. On the other hand, if, because of factors outlined above, we cannot perform in time, such a desired result would never come about, to the government's loss as well as our own.

I suspect all of the above arguments, in one form or another, have been made to you before. But I am sure you will agree that the Keystone Mine is not exactly an unknown and unproved quantity.

Thank you for your consideration.

CHARLES E. OGLE
CEO:k
cc. Mr. J. Thwaites

P. S. to Mr. Fillo and Mr. Thwaites:

Just the other day, an old-timer who I have known for years, a Mr. Ruth of Cayucos, came into the office relative to probate proceedings made necessary by the recent death of his wife. He mentioned he saw in the paper some time ago that the Keystone Mine was being reopened and that he heard I was connected with the endeavor. He is quite a character, and laid his hand on my shoulder and said, "Charlie, here is a bottle of Mercury from the Keystone Mine, it may be all you ever get out of it." He left me a small bottle of mercury which I have in my office. He did tell me that he had been involved in the mine many, many years ago and that it was he and his associates understanding that "the old-timers quit on good ore, they were flooded out". This hardly falls within the realm of scientific evidence but I thought I would pass it on as a humerous anecdote.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco 11, California, 94111

October 16, 1963

Memorandum

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

From : Paul V. Fillo, Acting Field Officer, OME, Region II

Subject: OME 6168 (Mercury)
San Simeon Keystone Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Enclosed is a copy of a letter from the subject operator for your information. My explanation for the last sentence of the penultimate paragraph of the operator's letter is that, since the work is on an actual cost basis, I want the operator to understand thoroughly his obligation.

Paul V. Fillo

Paul V. Fillo

Enclosure

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

OFFICIAL FILE COPY
C M E
RECEIVED OCT 18
DATE | IN | 800
10/18 | mcj | 120
Murphy | 500

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

OCTOBER 14, 1963

MR. PAUL V. FILLO
ACTING FIELD OFFICER
OME, REGION II
U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 BATTERY STREET
SAN FRANCISCO 11, CALIF.

RE: OME-6168 (MERCURY)
SAN SIMEON KEYSTONE INC.
KEYSTONE MINE, S.L.O.
CONTRACT 2157

DEAR MR. FILLO:

I ENCLOSE YOUR COPY OF THE PRELIMINARY DRILL MAP AND LETTER FROM MR. RICHARD MERRIAM.

THE AMENDED CONTRACT IS IN PROCESS OF BEING APPROVED AND SIGNED AND WILL BE FORWARDED TO YOU AS SOON AS THE PRINCIPALS CAN BE ASSEMBLED.

MEANWHILE, WE HAVE ARRANGED FINANCE. WE HAVE ALSO DECIDED TO TAKE EXTRA PRECAUTIONS TO ENSURE THAT THIS DRILL PROGRAM IS CARRIED OUT BY AN EFFICIENT SUBCONTRACTOR IN THE MOST DESIRABLE LOCATION.

TO THIS END WE ARE STARTING, AT OUR OWN EXPENSE, SOMEWHAT OVER TWO THOUSAND DOLLARS, A FURTHER EXPLORATION PROGRAM TO UNCOVER AND PROVE OUT THE EXACT LOCATION, DIP AND STRIKE OF THE WINZE PRIOR TO FIXING THE DRILL STATIONS AND POSITIONS.

WE ARE SURE YOU WILL APPROVE OF THIS PRECAUTIONARY STEP WHICH WILL PAY OFF IN ACCURACY IN INTERPRETING THE SUBSEQUENT DIAMOND CORES FROM THE DRILL PROGRAM. WE ARE ALSO AWARE THAT NO DRILLING IS TO BE STARTED WITHOUT PRIOR ADVICE TO YOUR OFFICE.

THIS EXTRA EXPLORATION PROGRAM MAY DELAY THE DRILLING AND IT WILL ALMOST CERTAINLY BE NECESSARY TO EXTEND THE TIME OF THE CONTRACT TO ALLOW FOR THE RAINY SEASON NOW APPROACHING.

SINCERELY YOURS,

JAMES S. THWAITES
TREASURER
SAN SIMEON KEYSTONE INC.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco 11, California, 94

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 3 1963

DATE	INITIALS	CODE
August 27, 1963		120
		900
		500
		610

Mr. James S. Thwaites
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Thwaites:

Enclosed are the original and four copies of a proposed Amendment No. 2 with reference to your contract, signed by the Director for the Government.

If the proposed amendment meets with your approval, please sign and return the following copies to this office:

Government's copy
Fiscal Section's copy
Audit's copy
Field Office's copy

The Operator's copy should be retained by yourself.

Please note that under Stage I work of this amendment is on an actual cost basis.

In reviewing your underground drill bids from an independent contractors, it appears Cannon Diamond Drilling Company's bid would be the best choice from the stand point of size of core and price.

Sincerely yours,

Paul V. Fillo
Acting Field Officer
OME, Region II

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco 11, California, 94111

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 3 1963
DATE | INITIALS | CODE

August 27, 1963

Mr. James S. Thwaites
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Thwaites:

In regards to your telephone call this morning, I will write our Audit and Contract Division requesting an answer for the delay of payment.

Reference to your letter of August 5, 1963, accompanied with the underground diamond drill program map, there is one important item that should be known before the drilling starts, and that is, the dip and strike of the winze.

It appears holes A and B are completely out of the picture. In all probabilities, holes C and D could intersect the vein. Before you start the diamond core drilling, please advise this office the strike and dip of the winze.

Enclosed are our office copies of your drill map and the letter from Mr. Richard Merriam. Please make copies for your file and return our copies to us.

It would be advisable for Mr. Merriam to examine the underground workings and winze area to substantiate the correct bearing and dip of the diamond core drill holes.

Please advise this office when you expect to start drilling. I will make it a point to visit the property at that time.

Sincerely yours,

Paul V. Fillo
Acting Field Officer
OME, Region II

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

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
8/21	Talbert	800
"	Ourlease	130
8/22	Johnson	110
8/22	[illegible]	100
8/22	Cole	220
		500

AUG 23 1963

Memorandum

To: Acting Field Officer, Region II

From: Acting Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

As suggested in your August 9 memorandum, we are enclosing the original and four copies of a proposed Amendment No. 2 to the contract. All copies have been signed by the Director for the Government. Also enclosed is an extra copy for field use.

In view of the doubt expressed in your memo (in which we concur) that a small two-hole project would not be much good, we have provided for 800 feet of drilling (at locations which you approve) which should be enough for four holes.

If the amendment meets with your approval and that of the Operator, all five copies should be signed by an authorized representative of the Operator. Thereafter, please distribute the copies in the usual manner.

If any part of the proposed amendment 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.

W. R. Griswold
mm

Enclosures

WRGriswold/mm
8/21/63
cc: Director's Reading File
Review Committee
Docket

8623

OFFICIAL FILE COPY

Date	Surname	Code
8/14	Talbot	800
8/14	Ourlevo	130
"	Johnson	110
"	Jirsa	100
8/14	Cac	220
		500

AUG 14 1963

Memorandum

To: Acting Field Officer, Region II

From: Acting Chief, Division of Field Operations

Subject: OMK-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Answering your inquiry as to core size in the August 6 memorandum on the Keystone mine, we would be guided by your recommendation.

In general, we do not approve of EX size; for only a trifle more cost AX gives far better results. Likewise, in poorly compacted or fractured material, BX size is preferable to AX.

In this special instance we would lean toward the BX bid of Cannon; it is almost as cheap as the lower of the other two AX bids.

W. R. Griswold
mm

WRGRiswold/mm
8/13/63
cc: Director's Reading File
Review Committee
Docket

8623

OFFICIAL FILE COPY

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
555 Battery Street
San Francisco 11, California, 94111

8/13 600
Grissed 500

August 9, 1963

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed is a copy of the drilling program prepared by Mr. Richard Merriam for the subject operator.

In reviewing the proposed drill holes, as shown on the map, I can see that only two holes could possibly be of some value.

Holes, A and B, are entirely out of the picture as they will miss the vein. Holes C and D could intersect the vein with a slight change in bearing and dip. It is doubtful if holes E and F would be of any significance. The direction of the holes is going away from the target area. The strike and dip of the winze, which are not available, are an important key for this work.

I am not so sure the small project would expose anything of real importance on account of the grade of ore.

Paul V. Fillo
Paul V. Fillo

Enclosure

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

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

AUG 1963
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

AUGUST 5, 1963

MR. PAUL V. FILLO
ACTING FIELD OFFICER
OME, REGION II
U. S. DEPARTMENT OF THE INTERIOR
555 BATTERY
SAN FRANCISCO 11, CALIF.

OME 6168
KEYSTONE MINE.

DEAR MR. FILLO:

I NOW ENCLOSE TWO COPIES OF THE DRILLING PROGRAM. PREPARED BY PROFESSOR MERRIAM, FOR CONTRACT APPROVAL. A TOTAL OF 1,000-FT. DRILLING IS PROPOSED.

SINCERELY

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT; FOR
SAN SIMEON KEYSTONE INC.

JST/JC

ENCL.

C.C. C. OGLE
770 5TH ST.
MORRO BAY

Mr. James S. Thwaites
1015 Grand Ave.
Arroya Grande,
Calif.

RE: Keystone Mine : Exploratory diamond drilling

Dear Sir:

In compliance with your request I have prepared the following plan for drilling the subject property. It may not be feasible to follow exactly the specified lengths of holes since one or more may penetrate old workings . Any hole which enters ore should be continued, if possible as long as it is in ore.

The approximate locations of the proposed holes are shown on the attached map. The drill set-up need not be exactly where shown but may be moved 20 ft in and direction if necessary to provide a better space.

Hole	Bearing	Angle Below Horizontal	Length
A	N 20 W	30°	150 ft
B	N 20 E	30	150
C	N 45 E	45	200
D	N 70 E	60	200
E	Due E	45	150
F	S 70 E	30	150

Yours very truly,

Richard Merriam

Richard Merriam
Dept. of Geology
Univ. So. Calif.
Los Angeles 7, Calif.
Aug. 2, 1963

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

August 6, 1963

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed are copies of a letter and three underground drilling bids from the subject operator. The operator has advised their geologist to prepare an underground diamond drilling program.

Please advise what size drill core would be allowed for this project.

Paul V. Fillo

Paul V. Fillo

Enclosures

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

OFFICIAL FILE COPY
RECEIVED AUG 10 1963
DATE
8/12 Griswold 800 500

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

AUGUST 2, 1963

MR. PAUL V. FILLO
ACTING FIELD OFFICER
OME, REGION II
U. S. DEPT. OF THE INTERIOR
555 BATTERY
SAN FRANCISCO 11, CALIF.

OME 6168
KEYSTONE MINE

DEAR MR. FILLO:

I ENCLOSE THREE UNDERGROUND DRILL BIDS BY INDEPENDANT SUB-CONTRACTS.

I HAVE ASKED PROFESSOR MERRIAM TO PREPARE AS SOON AS POSSIBLE AN ENGINEERING PLOT WITH RECOMMENDATIONS AND DATA FOR THIS UNDERGROUND DRILLING PROGRAM.

SINCERELY

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT

JST/JC

ENCL.

C.C.
PROF. RICHARD MERRIAM
40 EASTFIELD DRIVE
ROLLING HILLS, CALIF.

"MINERAL EXPLORATION • TEST BORINGS • GROUT HOLE DRILLING"

CONTINENTAL DRILLING COMPANY

DIAMOND DRILLING CONTRACTORS
2810 NORTH FIGUEROA
LOS ANGELES 65, CALIFORNIA
TELEPHONE CAPITAL 2-7146

R. F. THIES
MANAGER

July 9, 1963

William J. Dawson
3328 East Pontiac Way
Fresno 3, California

Dear Mr. Dawson:

Following is our quotation for Core Drilling at Keystone Mine near Cambria, California:

BX size hole 2-3/8" O.D. - 1-5/8 Core		$ 9.00 per lin.ft.
AX size hole 2" O.D. - 1-1/8 Core		$ 7.00 per lin.ft.

Air and water required for all core drilling is to be furnished free of charge at hole locations.

Yours truly,

CONTINENTAL DRILLING CO.

RF Thies

R.F. Thies

RFT:da

MAILING ADDRESS: P. O. BOX 5549

TELEPHONE AREA CODE 213
NEwmark 1-9341
NEvada 6-9416

CANNON DIAMOND DRILLING CO.

DRILLING AND GROUTING CONTRACTORS

1464 WEST COMPTON BLVD. COMPTON, CALIFORNIA

July 1, 1963

Mr. William J. Dawson
3328 E. Pontiac Way
Fresno 2, California

Dear Sir:

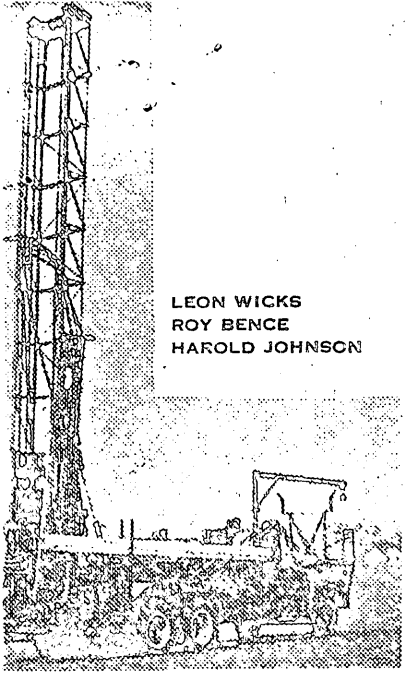
We are in receipt of your letter of June 25 regarding drill prices on your property in San Luis Obispo County. Our price for BX core on this property, which would include moving in and moving out and furnishing all air, water, etc., would be $6.75 per foot.

We do not rent this particular type of equipment. The maintenance and care that it requires makes this impractical. We thank you for your inquiry and we would be very pleased to hear from you.

Sincerely,

Frank G. Cannon

JSC/FGC



ROCK-WELL DRILLING CO.

Specialsts In Hard Rock Water Wells

P. O. BOX 4118, TOWER STATION 35 OLIVE AVE.
FRESNO 44, CALIFORNIA

LEON WICKS
ROY BENCE
HAROLD JOHNSON

July 15, 1963

Mr. William J. Dawson
3328 East Pontiac Way
Fresno, California

Dear Mr. Dawson:

We submit the following quotation on core drilling at your mining property near Cambria:

AX size hole, 1-7/8" O.D.	$6.50 per ft.
BX size hole, 2-3/8" O.D.	$8.00 per ft.

These prices are based on 200 ft. maximum length holes.

Very truly yours,

Harold J. Johnson

HJ/gj

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	Durand	500
8/9	Talbert	800
	[illegible]	130
8/9	Johnson	110
"	on leave	100
8/9	Cole	220
		500

Memorandum

AUG 9 1963

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: CME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

You request our advice as to the Operator's desire to do some underground drilling. In that you have already told them to get bids we have no objection to their proposal.

Please give us the bids, with your recommendation, when you receive them.

George C. Selfridge (gfa)

WRGriswold/mm
8/9/63
cc: Director's Reading File
Review Committee
Docket

43683

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

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 5 1963

DATE	INITIALS	CODE
8/5		800
July 31, 1963		500

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Enclosed is a copy of the sample analysis report of the mercury samples that were taken in the old adit which the operator had rehabilitated on the subject property. The results of the assays are not impressive; but, then, their objective is to diamond drill in the direction of the old winze at a greater depth to determine the width of the vein, as shown in USGS 922R, p. 572.

The operator was advised to submit three diamond drill bids for underground drilling before a decision is considered. As of this date, we have not heard from them. This is a borderline situation, and yet my recommendations would be unfavorable "at the drop of the hat" because of their inefficient ways and means of doing their work.

Your advice will be appreciated.

Paul V. Fillo

Paul V. Fillo

Enclosure

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

SAMPLE ANALYSIS REPORT

Samples submitted by: P.V. Fillo (O.M.E.) [4150]

Date: 6/24/63.

Sample Number	#/Ton HgS	
16278	0.4	chips sample in Hanging wall, in the area of proposed D.D. Sta.
16279	3.0	" " " " " " " " " " "
16280	2.7	" " " " " " " " " "
16281	1.3	Grab sample in apphalt
16282	1.2	Grab sample of fines in the vicinity of proposed D.D. Sta.

Remarks: Mercury Ore in Sandstone.

Results are reported as percent oxides unless otherwise noted.

5 Determinations.
3 Man-Hours.

Analyst C.E.T.

Date reported 7/23/63.

cc: R.B. Maurer - attn. [illegible] - ✓
Geo. H. Holmes

Krisowski

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

EXTRA COPY
O. M. E
RECEIVED AUG 5 1963

DATE		CODE
~~July 30, 1963~~ 8/5		800
		500

Memorandum

To: Fiscal Section, Division of Administrative Services, Office of the Secretary, Department of the Interior, Washington, D. C.

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Enclosed are the original and two copies of the operator's monthly voucher and progress reports for the months of January, February, March, and April 1963.

Also enclosed is the original of an Interim Report of Review covering the above subject contract. This office concurs in the facts as stated in the Interim Report of Review.

PAUL V. FILLO

Paul V. Fillo

Enclosures

cc: Chief, Division of Field Operations, OME, Washington, D. C.
Chief, Contract Administration and Audit Division, OME, Washington, D. C.

MME FORM 60
SEPT. 1959

214-2

6168

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OFFICIAL FILE COPY

OPERATOR'S MONTHLY VOUCHER

For Month of [illegible]

Docket No.
Contract No.
14-23-090- 2157
Contract Amount $ 52,730.00
Gov't. Participation % 50 $ 26,365.00
Mineral(s) MERCURY

Operator's Name [illegible]
Address [illegible]

COST CATEGORIES	FOR OPERATOR'S USE: MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE	FOR GOVERNMENT APPROVAL ONLY: MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE
Fixed Unit Costs and						
(1) Independent Contracts: ROAD	308.00	177.60	485.60			
Bulldozing DAM	-	645.45	645.45			
Drifting						
Crosscutting						
Drilling [illegible] CORE	783.00	1,252.50	2,035.50			
[illegible] TRANSPORT	-	55.00	55.00			
(2) Personal Services:						
Supervision & Technical						
Outside Consultants						
Labor						
(3) Operating Mat'l. & Supplies:						
Timber						
Explosives						
Pipe						
Rail 2 x 15' [illegible]						
91.50	-	67.50	67.50			
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehab. & Repairs:						
Buildings, Fixtures, etc.						
Operating Equipment						
(6) New Buildings, Fixtures, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Analytical Work						
Payroll Taxes						
Employee's Liability Ins.						
FIXED UNIT COSTS dam	-	175.00	175.00			
[illegible]	438.85					
[illegible] CLAIM	8.00	693.40	1,132.88			
TOTALS	1,537.85	3,099.49	4,636.97	1,492.45	3,099.49	4,591.94

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

Date 5/15/63 *Payee San Simeon Keystone Inc. by Jack W. Selby

Per _____ 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.

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

(INSTRUCTIONS ON REVERSE)

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

$ 746.23

Per Report & Review OAS

Signature _____
(Authorized Certifying Officer)

Date 8/12/63 Vou. No. _____

(SEE OTHER SIDE)

Certification by Government Representative:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating an exploration project in accordance with the terms of Contract No. 2157

Signature Paul O. Fillo Title Acting Field Officer Date July 12, 1963

Approved by OME Executive Officer or Alternate: OME Regionate

Signature Paul O. Fillo Title Acting Field Officer Date July 12, 1963

OPERATOR'S MONTHLY REPORT

The Operator, under an Office of Minerals Exploration contract, is required to report monthly to the Government. The report consists of three parts.

FIRST, the Operator's Monthly Voucher on MME Form 60 listing the project costs incurred and claimed by the Operator is the voucher basis for payment of the Government's share of the cost.

SECOND, the Operator's Progress Report on MME Form 61 is a statistical report of the units and cost of of work performed under the contract.

THIRD, the Operator's Narrative Report is a concise description of the work performed, results accomplished, and any unusual situations encountered, illustrated and supported by engineering-geological maps or sketches, drill hole logs, assay reports, etc., as pertinent.

The Operator submits the original and four copies of each of the three sections of this report to the OME regional Executive Officer at the end of each month during the life of the contract.

PREPARATION OF OPERATOR'S MONTHLY VOUCHER, MME FORM 60

After all applicable spaces are filled in, the Operator or his agent must sign the certification in the lower left corner. Categories (2) through (7) apply to "Actual Cost" contracts only.

Under "Fixed Unit Costs" and Category (1) report, (a) the total fixed unit costs of work performed under contract provisions for contribution by the Government on a basis of "fixed unit costs"; and (b) the claimed costs of work performed on a unit-price basis by independent contractors.

Under Category (2) include the claimed costs of all payrolled and invoiced supervisory, technical, and labor personnel, except the costs for services applicable to Categories (5) and (6).

Under Category (3) include the claimed costs of all project materials and supplies other than those used for work under Categories (5) and (6).

Under Category (4) report claimed rentals on equipment belonging to a third party, claimed payments or obligations for payments on the Operator's purchase of equipment, and claimed depreciation for the use of Operator-owned equipment.

Under Categories (5) and (6) include all claimed costs of labor, supervision, technical services, operating materials and supplies, and all other items used in (5) the initial rehabilitation and repairs of existing buildings, fixtures, installations (exclusive of mine workings), and operating equipment; and (6) the installation or construction of new buildings, fixtures, and fixed improvements (exclusive of mine workings). Do not report these costs under Categories (2), (3), (4), and (7).

Under Category (7) include all miscellaneous claimed costs such as repairs (other than initial) and maintenance of equipment, sampling and analysis, travel, communication, accounting, office expenses, and the Operator's share of payroll taxes and insurance.

Except for amounts claimed under "fixed unit costs" provisions of the contract, all costs claimed in this voucher must be supported by documentary evidence consisting of: (a) certified copies or transcripts of payrolls which list each employee, wage rate, period of employment, gross earnings, itemized deductions, and net earnings; (b) original or certified copies of invoices, statements of accounts, or purchase orders which indicate items of materials or services, quantities, unit prices, total charges, and payment terms; and (c) certified memoranda of the Operator for such items as depreciation of Operator-owned equipment, unemployment taxes, and employee's liability insurance. The certification may be stated thus, "Certified True Copy (or Transcript)", followed by the signature of the Operator or his agent. One copy of each document should accompany the original of this voucher.

The requirement for submitting documentary evidence of claimed costs may be waived by the OME regional Executive Officer if he determines that it is impracticable for an Operator to submit this material. In any case of waiver of this requirement an "on-site" audit by an OME auditor is mandatory prior to payment of the final Operator's Monthly Voucher.

MME FORM 61
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OPERATOR'S PROGRESS REPORT For Month of [redacted] Docket No. 6168

Operator's Name [redacted] Contract No. 14-23-090-2157

OPERATION	UNITS	FOR OPERATOR'S USE: UNITS THIS MONTH	UNITS TO DATE	COSTS TO DATE	FOR GOVERNMENT USE: APPROVED UNITS THIS MONTH	APPROVED UNITS TO DATE	APPROVED COSTS TO DATE
Drifting							
Crosscutting							
Raising							
Shafts							
Winzes							
Other Underground							
Drilling, Core-Diamond							
Rotary	[redacted]	[redacted]	[redacted]	[redacted]			
Drilling, Non-core-Diamond			[redacted]	[redacted]			
Rotary	2500'	523'	1357'	2,035.50		1357	2,035.50
Churn			[redacted]	1,139.88			1,139.88
Percussion							
Miscellaneous [redacted]	[redacted]	-	49 [redacted]	[redacted]		45	630.00
[redacted]	-	-	[redacted]	175.00			175.00
Roads and Trails	[redacted]	[redacted]	[redacted]	[redacted]			485.64
Stripping							
Trenching							
[redacted] Test Pitting	-	-	[redacted]	85.00			85.00
[redacted] Other Surface Work	5'	[redacted]	45'	[redacted]			67.50
Initial Rehabilitation and Repairs							
Rehabilitation of Mine Workings							
New Buildings, Fixtures, etc.							
Operating Equipment Purchases							
Analytical Work							
TOTAL TO DATE (per MME Form 60)				[redacted]			4,618.52

REMARKS

(Continue on back)

REMARKS

(Continue on back)

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 5/15/63 Operator San Simeon Keystone Inc by Jack W. Selby

Per _____ Title President

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

I certify that the information above is complete and accurate to the best of my knowledge and belief.

Signature Paul D. Zilla

Title Acting Field Officer
Government Representative
OME Region II

Date July 12, 1963

(INSTRUCTIONS ON REVERSE)

REMARKS *(Cont.)*

REMARKS *(Cont.)*

INSTRUCTIONS FOR PREPARING OPERATOR'S PROGRESS REPORT, MME FORM 61

This report is the second of the three parts of the Operator's Monthly Report. Submit the original and four copies.

The cost for each operation should be the total of all claimed costs attributable to that type of work with two exceptions, namely—operating equipment purchased and analytical work which are stated separately. For example, drifting costs should be the total of all costs chargeable to drifting including supervision, technical services, timbering (if any), etc. Similarly, drilling costs should include the cost of cementing, reaming, core boxes, etc. This procedure of distribution holds whether the contract was written on an actual cost or a unit cost basis, or some combination of the two. Distribute the cost of such general items as supervision, equipment rented, etc. according to relative footages or on some other conventional basis. The item "Initial Rehabilitation and Repairs" covers all rehabilitation and/or repairs other than the rehabilitation of mine workings.

The item titled "Drilling, Non-core Percussion" includes all drilling performed with wagon, jack-hammer, stoper and mounted drills. The several items labelled "Other" are provided to take care of particular exploration operations not specified on this form.

INT.DUP.,D.C.59- 61577

STATEMENT

April 1 1963

Mr. Simon Kaptow Inc.
c/o Charles Agle
To 770 - 5th St. Morro Bay -
D-8 dozer + driver $15.50

Mar	1	4 hrs.			62.00
	2	4½ hrs.			69.75
	4	4½ hrs.			69.75
	6	2 hrs.			31.00
	30	3 hrs.			46.50
		4 hrs. waiting hrs. @ 8.50 per hr.			34.00
22 HRS:		CLEARING ACCESS ROAD-WORK			
					313.00
CLAIM LIMITED TO $14.00 P. HR = $308.00					

Thanking you -
J. Yarnott Robinson
Box 587
Cambria, Calif.

R. B. YAGER DRILLING CONTRACTOR

ROTARY DRILLING

SHOT HOLES - CORE DRILLING - SAND DRAINS

WATER WELLS GRAVEL PACKED

1062 Maple Street

State License 109028

Phone A.G. 5633

ARROYO GRANDE, CALIF., March 1, 1963 195__

M Selby and Dawson - Keystone Mine O.M.E. 6168

	Drilled 522' of test hole at $1.50 per ft:	$783.00		
	Bit type, Hughes tri-cone. Size, 6".			

LOG

Sta. No. 8

KEYSTONE MINE

O.M.E. EXPLORATION 6188 SELBY AND DAWSON

0- 24' sandstone as seen on the surface
24-257' light gray sandstone which had breaks of a few inches in thickness at intervals of ten to twelve feet. These breaks showed no signs of clays or any attrition which indicated no movement. This sandstone had no cinnibar colors and the only sulfides were at the small breaks.

Lost circulation at 257'. NOTE: A small stream of water was encountered at 14[illegible]' but it had completely stoped percolating by the next day.

LOG

Sta. No. 13

KEYSTONE MINE

O .M.E. EXPLORATION 6168 SELBY AND DAWSON

0- 13 formation same as is seen on the surface, probably a serpentinized sandstone of a dark color; A dark bluish gray.

13-17' silica carbonate which was not too hard and being quite ocherous. This panned som e colors but not enough to leave a tail in the pan. This was evidently a boulder laying alone because there was no more found during the drilling of the entire hole.

17-33' same as the top formation but with small angular pieces ofrock of various origin.

33-180' light gray sandstone showing no alteration and n o sulfides at all. No colors were panned.

180-265' Lost circulation at this point. Still in sandstone.

NARRATIVE REPORT - FEBRUARY/MARCH/APRIL 1963.

OME 6168 - CONTRACT 2157

SAN SIMEON KEYSTONE INC.

WORK IN FEBRUARY, MARCH AND APRIL 1963 WAS MADE SPASMODIC BY HEAVY RAINS, NECESSITATING A FURTHER 22-HOURS BULLDOZER WORK TO RESTORE THE ACCESS ROAD.

DRILL HOLES 8 AND 13 WERE DRILLED AS DESCRIBED IN THE LOGS ATTACHED, BRINGING THE TOTAL FOOTAGE DRILLED TO 1357-FEET, OR 54.3% OF THE ORIGINAL CONTRACT DRILLING TOTAL OF 2,500-FT. NO MINERALIZATION OF SIGNIFICANCE WAS LOCATED, NOR ANY HOST ROCK REVEALED.

DRILLING OF HOLES 8 AND 13 AND ALL FURTHER DRILLING WAS TERMINATED BY THE DRILL STRIKING INTO THE 1873 WINZE AREA AND CONTEMPORANEOUS STOPE.

INVESTIGATION UNDERGROUND WAS BEGUN BY PROGRESSIVE CLEARING AND TIMBERING INTO THE FORMER SELBY-DAWSON ADIT, ITSELF A RE-ENTRY INTO THE 1873 ADIT AND WINZE.

EXCEPTIONAL BRECCIATION MADE PROGRESS IN THIS ADIT HEAVY AND SLOW, CONSIDERABLE TIMBER BEING INSTALLED.

APPROXIMATELY 200-FT OF THIS ADIT HAD BEEN CLEARED, DRAINED AND TIMBERED BY THE END OF APRIL, 1963.

THREE LARGE STOPES WERE EXPOSED LEADING VERTICALLY UPWARDS FROM THE ADIT, AND A FACE OF MINERALIZATION WAS EXPOSED ON ONE WALL.

THE ADIT IS REPORTED TO EXTEND FURTHER AND TO BRANCH INTO A WINZE, BOTH REPORTEDLY IN ORE WHEN THE MINE WAS WORKED IN 1873.

EXPLORATION BY CLEARING AND TIMBERING THE REMAINDER OF THIS ADIT AND WINZE IS NOW THE SUBJECT OF PROPOSALS A AND B OF TREASURER'S LETTER OF MAY 15, 1963.

.....

San Simeon Keystone Inc.
Jack W Selby
President

MME FORM 60
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

Docket No. _____
Contract No. [illegible]
14-23-090-_____
Contract Amount $ 31,712.00
Gov't. Participation % 50 $ 25,836.00
Mineral(s) [illegible]

OPERATOR'S MONTHLY VOUCHER

For Month of January 1963

Operator's Name [illegible]
Address [illegible]

COST CATEGORIES	FOR OPERATOR'S USE			FOR GOVERNMENT APPROVAL ONLY		
	MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE	MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE
Fixed Unit Costs and						
(1) Independent Contracts: [illegible]	177.64	-	177.64			
[illegible]	648.43	-	648.43			
Bulldozing						
Drifting						
Crosscutting						
Drilling [illegible]	1232.50	-	1232.50			
[illegible]	69.00	-	69.00			
(2) Personal Services:						
Supervision & Technical						
Outside Consultants						
Labor						
(3) Operating Mat'l. & Supplies:						
Timber						
Explosives						
Pipe						
Rail [illegible]						
[illegible]	67.20	-	67.20			
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehab. & Repairs:						
Buildings, Fixtures, etc.						
Operating Equipment						
(6) New Buildings, Fixtures, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Analytical Work						
Payroll Taxes						
Employee's Liability Ins.						
[illegible]	693.40	-	693.40			
[illegible]	175.00		175.00			
TOTALS	3000.47		3000.47			

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

Date 2/18/63 *Payee [illegible]

Per Jack W. Selby 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.

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

(INSTRUCTIONS ON REVERSE)

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

$ _____

Signature _____
(Authorized Certifying Officer)

Date _____ Vou. No. _____

(SEE OTHER SIDE)

Certification by Government Representative:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating an exploration project in accordance with the terms of Contract No. 2157

Signature Paul D. Zilla Title Acting Field Officer Date July 10, 1963

Approved by OME Executive Officer or Alternate:

Signature Paul D. Zilla Title Acting Field Officer Date July 10, 1963

OPERATOR'S MONTHLY REPORT

The Operator, under an Office of Minerals Exploration contract, is required to report monthly to the Government. The report consists of three parts.

FIRST, the Operator's Monthly Voucher on MME Form 60 listing the project costs incurred and claimed by the Operator is the voucher basis for payment of the Government's share of the cost.

SECOND, the Operator's Progress Report on MME Form 61 is a statistical report of the units and cost of of work performed under the contract.

THIRD, the Operator's Narrative Report is a concise description of the work performed, results accomplished, and any unusual situations encountered, illustrated and supported by engineering-geological maps or sketches, drill hole logs, assay reports, etc., as pertinent.

The Operator submits the original and four copies of each of the three sections of this report to the OME regional Executive Officer at the end of each month during the life of the contract.

PREPARATION OF OPERATOR'S MONTHLY VOUCHER, MME FORM 60

After all applicable spaces are filled in, the Operator or his agent must sign the certification in the lower left corner. Categories (2) through (7) apply to "Actual Cost" contracts only.

Under "Fixed Unit Costs" and Category (1) report, (a) the total fixed unit costs of work performed under contract provisions for contribution by the Government on a basis of "fixed unit costs"; and (b) the claimed costs of work performed on a unit-price basis by independent contractors.

Under Category (2) include the claimed costs of all payrolled and invoiced supervisory, technical, and labor personnel, except the costs for services applicable to Categories (5) and (6).

Under Category (3) include the claimed costs of all project materials and supplies other than those used for work under Categories (5) and (6).

Under Category (4) report claimed rentals on equipment belonging to a third party, claimed payments or obligations for payments on the Operator's purchase of equipment, and claimed depreciation for the use of Operator-owned equipment.

Under Categories (5) and (6) include all claimed costs of labor, supervision, technical services, operating materials and supplies, and all other items used in (5) the initial rehabilitation and repairs of existing buildings, fixtures, installations (exclusive of mine workings), and operating equipment; and (6) the installation or construction of new buildings, fixtures, and fixed improvements (exclusive of mine workings). Do not report these costs under Categories (2), (3), (4), and (7).

Under Category (7) include all miscellaneous claimed costs such as repairs (other than initial) and maintenance of equipment, sampling and analysis, travel, communication, accounting, office expenses, and the Operator's share of payroll taxes and insurance.

Except for amounts claimed under "fixed unit costs" provisions of the contract, all costs claimed in this voucher must be supported by documentary evidence consisting of: (a) certified copies or transcripts of payrolls which list each employee, wage rate, period of employment, gross earnings, itemized deductions, and net earnings; (b) original or certified copies of invoices, statements of accounts, or purchase orders which indicate items of materials or services, quantities, unit prices, total charges, and payment terms; and (c) certified memoranda of the Operator for such items as depreciation of Operator-owned equipment, unemployment taxes, and employee's liability insurance. The certification may be stated thus, "Certified True Copy (or Transcript)", followed by the signature of the Operator or his agent. One copy of each document should accompany the original of this voucher.

The requirement for submitting documentary evidence of claimed costs may be waived by the OME regional Executive Officer if he determines that it is impracticable for an Operator to submit this material. In any case of waiver of this requirement an "on-site" audit by an OME auditor is mandatory prior to payment of the final Operator's Monthly Voucher.

MME FORM 61
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OPERATOR'S PROGRESS REPORT For Month of January 1963 Docket No. 6168

Operator's Name San Simeon Keystone Inc. Contract No. 14-23-090-2157

OPERATION	UNITS	FOR OPERATOR'S USE: UNITS THIS MONTH	UNITS TO DATE	COSTS TO DATE	FOR GOVERNMENT USE: APPROVED UNITS THIS MONTH	APPROVED UNITS TO DATE	APPROVED COSTS TO DATE
Drifting							
Crosscutting							
Raising							
Shafts							
Winzes							
Other Underground							
Drilling, Core-Diamond							
Rotary							
Drilling, Non-core-Diamond							
Rotary	1000'	835'	835'	1,252.50	835'	835'	1252.50
allowance 8 hrs			f.mit	693.40	835'	835	693.40
Percussion							
Miscellaneous benching	62 hr	45 hr	45 hr	648.45	45	45	630.00
clean dam & spring	fix	fix full	full	175.00			175.00
Roads and Trails	4 mi.	4 mi.	4 mi.	177.64			177.64
Stripping							
Trenching							
Test Pitting haul drill	fix	1-way	1-way	85.00			85.00
Other Surface Work drains	150'	45'	45'	67.50	45'	45'	67.50
Initial Rehabilitation and Repairs							
Rehabilitation of Mine Workings							
New Buildings, Fixtures, etc.							
Operating Equipment Purchases							
Analytical Work							
TOTAL TO DATE *(per MME Form 60)*				3,099.49			3081.04

REMARKS

(Continue on back)

REMARKS

(Continue on back)

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 7/16/63 Operator SAN SIMEON KEYSTONE INC

Per Jack W Selby Title President

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

I certify that the information above is complete and accurate to the best of my knowledge and belief.

Signature Paul V. Gillo

Title Acting Field Officer
OME Region V Government Representative

Date July 10, 1963

(INSTRUCTIONS ON REVERSE)

REMARKS *(Cont.)*

REMARKS *(Cont.)*

INSTRUCTIONS FOR PREPARING OPERATOR'S PROGRESS REPORT, MME FORM 61

This report is the second of the three parts of the Operator's Monthly Report. Submit the original and four copies.

The cost for each operation should be the total of all claimed costs attributable to that type of work with two exceptions, namely—operating equipment purchased and analytical work which are stated separately. For example, drifting costs should be the total of all costs chargeable to drifting including supervision, technical services, timbering (if any), etc. Similarly, drilling costs should include the cost of cementing, reaming, core boxes, etc. This procedure of distribution holds whether the contract was written on an actual cost or a unit cost basis, or some combination of the two. Distribute the cost of such general items as supervision, equipment rented, etc. according to relative footages or on some other conventional basis. The item "Initial Rehabilitation and Repairs" covers all rehabilitation and/or repairs other than the rehabilitation of mine workings.

The item titled "Drilling, Non-core Percussion" includes all drilling performed with wagon, jack-hammer, stoper and mounted drills. The several items labelled "Other" are provided to take care of particular exploration operations not specified on this form.

R. B. YAGER DRILLING CONTRACTOR

ROTARY DRILLING

SHOT HOLES - CORE DRILLING - SAND DRAINS

WATER WELLS GRAVEL PACKED

State License 109028

1062 Maple Street

Phone A.G. 5633

ARROYO GRANDE, CALIF., Feb. 1, 1963 19__

M Selby and Dawson - Keystone Mine O.M.E. 6168

Morro Bay, Calif.

	Drilled 835' of test hole at $1.50 per ft:	$1,252.50	
	Bit type, Hughes tri-cone. Size, 6".		

[illegible]

PLYC-[illegible]

[illegible] No. Highway 1

Morro Bay, California

No. 5432

Dept. [illegible] JAN. 31, 1963

Name Keystone Mining Company

Address Morro Bay, California

SOLD BY	VIA	C.O.D.	CHARGE	ON ACCT.	OUR ORDER NO.	YOUR ORDER NO.	

QUAN.	DESCRIPTION	PRICE	AMOUNT
3	18" X 15' Dam [illegible]		7.50
	[illegible]		3.75
	Total		11.25
	Received on [illegible]		
	Pay [illegible]		

Customer's Order No.

F. V. CLOUSER
EXCAVATING and LOWBED HAULING
1641 OSOS STREET PHONE LI 3-2893
SAN LUIS OBISPO, CALIFORNIA

ck

OUR NUMBER
4102
DATE
Jan 9-62
CUSTOMER'S ORDER
SALESMAN
TERMS
F. O. B.

Keystone Mine - Jack Selby
Morro Bay

Lowbed Haul
Rate 17.00/hr D-8 Dozer 2-U -

Jan 9 Haul D-8 Dozer 2-U from San Luis Obispo To "Keystone Mine" Cambria 5 hrs

95.00

1641 OSOS STREET

INVOICE

DIAL LI 3-2098

F. V. CLOUSER

EXCAVATING • HEAVY LOWBED HAULING

BULLDOZING • WELDING • EQUIPMENT RENTALS

SAN LUIS OBISPO, CALIFORNIA

SUBMITTED AS DETAIL OF DATES ETC FOR INVOICE 4114 PAID $911.09 AS PREVIOUSLY SUBMITTED

Keystone Mine
Selby & Dawson
Morro Del Mar
Morro Bay, Calif.

INVOICE NO. 1103
DATE BILLED: February 1, 1963
JOB LOCATION Keystone Mine

DATE	TICKET NO.	EQUIPMENT RATE	DESCRIPTION	CHARGES	CREDITS	BALANCE
1/8/63	4102	Hr. $17.00	Lowbed Haul from S.L.O. to Keystone Mine 5 hours	$85.00		
1/8/63		Hr. $16.00	Dozer time--operated--1½ hr.			
1/11/63			D 8 CAT 9 hr.			
1/12/63			9 hr.			
1/13/63			8 hr.			
1/14/63			8 hr.			
1/15/63			8 hr.			
1/16/63			4 hr.			
1/17/63			4 hr.			
1/22/63			2 hr.			
1/23/63			4 hr.			
1/25/63			5 hr.			
1/27/63			5 hr.			
1/28/63			6 hr.			
1/29/63			3 hr.			
			TOTAL 76½ hr	$1224.00		$1309.00
1/11/63			Time operated by Selby 4 hr			
1/12/63			4 hr.			
1/23/63			4 hr			
			Total . 12 hr			
			@$6.00 per hour		$72.00	$1237.00

30 Day Post Due Accounts Subject to 2% Interest Per Month

OFFICIAL FILE COPY

Date	Surname	Code
	Selfridge	120
7/17	cdc	220
		500

JUL 17 1963

Memorandum

To: Acting Field Officer, Region II

From: E. D. Talbert, Chief (Signed) E. D. Talbert
Contract Administration and Audit Division

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

By memorandum dated July 11 you forwarded the revised January 1963 and the Feb./Mar./Apr. 1963 MME Forms 60 and 61, together with supporting documentation, as recently submitted by the subject Operator-Assignee. You asked that I check the vouchers and then forward them to the Department's Fiscal Section.

In view of the past inadequacy and confusion in vouchering and the failure of the Operator's claim and your approval to take into consideration the effect on costs of Amendment No. 1, an Interim Report of Review appears to be in order. The original and two copies thereof, together with the original and two copies of the MME Forms 60 and 61 and attachments, are enclosed.

If you concur in the facts as stated in this Interim Report of Review and specifically accept the units of work as being in accord with contract specifications, please make the following distribution:

(a) Original to the Department's Fiscal Section, together with the original and both copies of the MME Forms 60 and 61 and attachments;
(b) One copy to Operator-Assignee; and
(c) One copy to your files.

As evidence of your concurrence please furnish this Division with a copy each of your transmittals. If for any reason you do not concur in the findings of this Interim Report of Review, please return the original and both copies to this Division with a memorandum of your reasons for non-concurrence.

Enclosures

EDTalbert/ama
7-16-63

cc: Docket
Director's Reading File
CA & A Division
Fiscal Section
Mr. Talbert

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E
RECEIVED JUL 15 1963

DATE	INITIALS	CODE
7/16		800
		500

July 11, 1963

Memorandum

To: E. D. Talbert, Chief, Contract Administration and Audit Division, OME, Washington, D. C.

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Enclosed are the monthly vouchers and progress reports of the subject contract.

I would appreciate if you would check them over to see if they are in order.

In the January voucher the item for roads shows $177.64. This appears a bit "fuzzy" on account of the rate per hour.

You will note I have corrected the bulldozing figure from $648.45 to $630.00 per 45 hours of work.

If the vouchers are in order, kindly forward them to the Fiscal Section. Thank you.

Paul V. Fillo

Paul V. Fillo

Enclosures

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

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

JUN 1963
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

June 19, 1963

Mr. Paul V. Fillo
Acting Field Officer, OMB
U.S. Dept. of the Interior
555 Battery Street
San Francisco 11, Calif.

subject: OMB-6168 (mercury)
San Simeon Keystone Inc. Assignee
Keystone Mine
San Luis Obispo Co., Calif.
Contract 2157

Dear Mr. Fillo:

I enclose:

1. signed amendment No.1 of June 7, 1963.

2. operator's report 60, 61 and narrative for consolidated February/March/April, with relevant documentation and supporting vouchers.

3. revised January forms 60 and 61 signed by assignee with further supporting vouchers which - together with those previously submitted May 3 and 15 - should settle this matter satisfactorily.

sincerely

JAMES S. THWAITES
Certified Public Accountant

jst/jc

encl.

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

OFFICIAL FILE COPY
O. M. E
RECEIVED JUL 15 1963
DATE July 10, 1963
CODE
7/15 Returned 500

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc. Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Enclosed are the original and two copies of Amendment No 1 of the above subject contract properly executed by the operator.

The remaining copies of the Amendment No. 1 have been distributed in the usual manner.

Paul V. Fillo
Paul V. Fillo

Enclosure

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

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

OFFICIAL FILE COPY
O. M. E
RECEIVED JUL 11 1963

July 9, 1963

DATE	IN	COLL
7-11		100
7/11		110
		120
7/11		800
		500
7/12		

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Interim Inspection

Accompanied by the operator, Jack Selby, this project was inspected on June 18, 1963. The operator rehabilitated 294 feet of the old adit. It is estimated the collar of the winze is about 10-25 feet beyond this point. Underground workings were inspected and three samples were taken where the company's geologist had taken samples for his report. In the area where the three samples were taken, the mineralization appeared to be in bunches, as well as disseminated in sandstone and silica-carbonate rock. The cinnabar is of a fine crystalline character.

It is the operator's wishes that the Government would assist them through an amendment of its contract by setting up a diamond-drill station, where the samples were taken, and by diamond drilling 4 holes in the direction of the old winze at a greater depth to determine the width of the vein.

In reviewing USGS Bulletin 922R, page 572, it is possible that the vein continues at a lower elevation. The portal, of the main tunnel shown in figure 81 of Bulletin 922R, is caved; and the adit, the operator rehabilitated, connects this tunnel about 150 feet from the portal.

The operator was advised for a diamond drilling underground he will have to submit three diamond drill bids for this work. The operator mentioned with their experiences so far that their contracting work has been a very expensive item and they should like to do their diamond drilling themselves.

It is my opinion that the operator and his associates need certain guidance in all phases of mining and diamond drilling. It appears to me that this is a borderline case; and if the samples, which I have taken, prove of any significant value, possibly a diamond drill program is in order.

A meeting was held the evening before this inspection with the operator and his associates, Mr. Ogle and Mr. Thwaites. In our discussion Mr. Thwaites was very anxious to have the Government rehabilitate the winze and find out what is down at the "bottom."

They have been advised that we would not rehabilitate the winze or any other part of the property because of the contract being let.

At this meeting the operator and his associates were very anxious to do something about this property in determining whether or not there is a cinnabar chute in the area.

I am of an opinion that they will need a good driller for their underground diamond drilling to help them do this work if this work is allowed.

The operator was advised in the Amendment No. 1, which I gave them and also with instructions in preparing their January Monthly report.

Upon returning from the field trip, I have their January Monthly voucher report. I am not satisfied in the way it was prepared--so it will be returned to the operator for correction.

Enclosed is Mr. R. Merriam's report on Keystone mine for your information and file.

— Folder 1-A

Miss Augusta Nelson

For: Paul V. Fillo

Enclosurer

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E
RECEIVED JUN 17 1963

DATE	INITIALS	CODE
6/17	[illegible]	800
	[illegible]	500
June 11, 1963		

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arrogo Grande, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Thwaites:

A field trip inspection is tentatively scheduled on or about June 18, 1963, to inspect the Keystone Mine.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer, OME
Region II

cc:

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

OFFICIAL FILE COPY

Date	Surname	Code
	Freyvogel	500
6/5	Galpert	800
	[illegible]	130
6/7	Johnson	110
	[illegible]	100
6/7	Cal	220
		500

JUN 7 1963

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: CMK-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

As recommended in your memorandum of May 2, enclosed are the original and four copies of a proposed Amendment No. 1 to the subject contract, signed by the Director for the Government. Also enclosed is an extra copy for field use.

If the proposed amendment is satisfactory to you and the Operator, all five copies should be signed by an authorized representative of the Operator. Thereafter, please distribute the copies in the usual manner.

If any part of the proposed amendment 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.

George C. Selfridge (gla)

Enclosure

NHerrithew/mm
6/5/63
cc: Director's Reading File
Review Committee
Docket

43683

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

OFFICIAL FILE COPY
RECEIVED
DATE
6/7

June 3, 1963

800
500

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arrogo Grande, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Thwaites:

We are enclosing MME Forms 60, Operator's Monthly Voucher, and MME Form 61, Progress Report, to be used for Contract No. 2157.

Sincerely yours,

A. NEALON

For: Paul V. Fillo
Acting Field Officer, OME
Region II

Enclosures

cc:

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

Griswold

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
[illegible] Battery Street
San Fr[illegible] [illegible]l California

[illegible] FILE COPY
O M E
JUN 13 [illegible]

6-14
6/13

AIRMAIL

Memorandum

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

From: Acting Field Officer, OME, [illegible]

Subject: Proposed Field Work

I am planning to conduct an interim inspection on the following contracts from June 17 to June 29:

Keystone Mine	OME [illegible] (Mercury) – Griswold
Loretto Mine	[illegible] (Copper) – [illegible]
Old English Mine	[illegible] (Gold, Uranium)
Nevada Metals, [illegible]	[illegible] (Silver)
Consolidated Eureka	[illegible] (Gold, Silver)
Comeback Mine	[illegible] (Gold, Platinum)
Armin Speckert, [illegible]	[illegible] (Gold)
Best Mines Co.	[illegible] (Gold)
Stanley E. Brainerd	[illegible] (Gold)
Gold Queen Mining Co.	[illegible] (Gold)
Dickey Exploration	[illegible] (Gold)
Gold Queen Mining Co.	[illegible] (Gold)

On this trip I shall be accompanied by Hira Sthapil from Nepal, India, who is here under the sponsorship of the Agency for International Development and Implementation by the Bureau of Mines. He will see how OME conducts its field inspection examinations.

Paul V. Fillo

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

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

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 24 1963

DATE	INITIALS	CODE
5/24	[illegible]	800
	Grieved	~~820~~
May	20, 1963	500
5/27	Murphy	500

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Assignee Keystone Mine
San Luis Obispo County, California
Contract 2157

Enclosed copies of two letters from the above subject operator for your information and file.

I should like very much to have a discussion on subject contract when I visit your office June 3 and 4. It has come to a point of being very "sticky." I'll need your advice.

Paul V. Fillo
Paul V. Fillo

Enclosures

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

Northern Cor
Car samples
amendment

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

MAY 1963
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

MAY ~~15~~ 16, 1963

MR. PAUL V. FILLO
ACTING FIELD OFFICER
REGION II
OFFICE OF MINERALS EXPLORATION
113 CUSTOM HOUSE
555 BATTERY STREET
SAN FRANCISCO 11, CALIF.

SUBJECT: OME 6168 (MERCURY)
SAN SIMEON KEYSTONE INC.
ASSIGNEE, KEYSTONE MINE
SAN LUIS OBISPO, CALIF.
CONTRACT 2157

DEAR MR. FILLO:

I CONFIRM MY TELEPHONE CONVERSATIONS OF MAY 14, WITH YOUR OFFICE, AND AM GLAD TO REPORT THAT SUBSTANTIAL PROGRESS HAS BEEN MADE UNDERGROUND AND THAT A 250-FT. ADIT IS NOW OPEN FOR YOUR INSPECTION.

THE SECRETARY, CHARLES OGLE AND I EXAMINED THIS ADIT YESTERDAY AND OBSERVED CINNEBAR SHOWINGS AND THREE OLD STOPES OF SIGNIFICANT SIZE, ONE OF WHICH WAS PREVIOUSLY UNKNOWN. THIS ADIT IS ITSELF MORE EXTENSIVE AND WAS MORE BLOCKED THAN PREVIOUSLY REALIZED.

I HAVE, THEREFORE, ASKED YOU TO ~~MAKE AN INSPECTION OF THIS PROPERTY, AT YOUR EARLIEST CONVENIENCE, WITH A VIEW TO~~ APPROVE A CONTRACT ALTERATION IN THE TERMS OF MY LETTER OF MARCH 23, 1963, AS FOLLOWS:

STAGE 1 CONTRACT CHANGE:

ROAD AND DRILLING SAVINGS	3,410.50
REMAINING DRILLING	6,720.00
	10,130.50

WE NOW REQUEST FUNDS BE ALLOCATED FROM THIS STAGE 1 BALANCE ABOVE AND APPLIED INSTEAD TO THE FOLLOWING:

STAGE 1 - PROPOSAL A

FIXED UNIT COST

CLEAN AND CLEAR REMAINING FOOTAGE OF ADIT TO BACK WALL, EST. 80-FT AT $35.00/FT.

CLEAN AND CLEAR WINZE TO FOOT, EST. 120-FT. AT $35.00/FT.

TIMBERING ABOVE, 100-FT. AT $7.50/FT.

YOU WILL OBSERVE THE PROPOSED RATES ARE THOSE ALREADY AGREED FOR SIMILAR TYPE OF WORK UNDER STAGE II, ALTHOUGH IT IS SUBSTANTIALLY MORE EXPENSIVE AND HARDER TO CLEAR AND RE-TIMBER FALLEN BRECCIA THAN TO DRIVE IN LIVE GROUND INITIALLY.

STAGE I - PROPOSAL B

FIXED UNIT COST

SUCH FURTHER EXPLORATORY UNDERGROUND DRILLING AND EXPLORATORY RAISES, CROSS-CUTS AND DRIFTS AS MAY BE ADVISABLE IN THE LIGHT OF YOUR INSPECTION OF THE WINZE AREA WHEN FULLY REVEALED BY PROPOSAL-A ABOVE.

IT IS PROPOSED THAT THIS SUBSTITUTION OF PROPOSALS-A AND B SHOULD TERMINATE AND REPLACE ALL OTHER COSTS OF STAGE I NOT SPENT TO MARCH 31, 1963, WITH THE EXCEPTION OF ASSAYS PREVIOUSLY AGREED UNDER STAGE-1.

A MAP IN SUPPORT OF THESE PROPOSALS IS NOW BEING PREPARED, AND WILL BE SUBMITTED WITH A GEOLOGICAL REPORT IF POSSIBLE BEFORE MAY 31, 1963

STAGE II - EXPLORATORY DEEP LEVEL ADIT, 800-FT. AS CONTAINED IN CONTRACT.

VERY TRULY YOURS

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT

JST/JC

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

MAY 3, 1963

MR. PAUL V. FILLO
ACTING FIELD OFFICER OME
REGION II
U.S. DEPT. OF THE INTERIOR
555 BATTERY STREET
SAN FRANCISCO 11, CALIF.

SUBJECT: OME 6168 (MERCURY)
SAN SIMEON KEYSTONE INC.
ASSIGNEE, KEYSTONE MINE
SAN LUIS OBISPO, CO., CALIF.
CONTRACT 2157

DEAR MR. FILLO:

THANK YOU FOR YOUR LETTER OF MAY 2, 1963 RE THE AMENDED JANUARY VOUCHER.

INASMUCH AS OBJECTIONS 1 - 4 REFER TO ACCOMPANYING SUPPORTING EVIDENCE AND NOT TO FORMS 60 OR 61 THEMSELVES, AND OBJECTION 5 REFERS TO AN $8.00 ARITHMETICAL ERROR OBVIOUS ON THE FACE OF THE FORMS, IT IS NOT PROPOSED TO RESUBMIT FORMS 60 AND 61 FOR JANUARY.

OBJECTION 5 -

THE WASHINGTON FISCAL SECTION IS HEREBY REQUESTED TO MAKE THE REQUIRED $8.00 CORRECTION, READING $701.40 FOR $693.40 AND TO FORWARD A CHECK FOR 50% OF THE DIFFERENCE ($4.00) AT THEIR CONVENIENCE.

ALTERNATIVELY, SINCE THIS VOUCHER HAS BEEN PAID AT ITS FACE AMOUNT (50% OF $3,099.49 = $1,549.74), I SUGGEST THE $4.00 CORRECTION BE MADE ON THE NEXT VOUCHER SUBMITTED.

OBJECTIONS 1 - 4 (INVOICE DOCUMENTATION)

OBJECTION 1: MAXIMA PER CONTRACT ARE:

BENCHING $16.00 /HOUR
ROAD 14.00 /HOUR.

CLAIMED:

45 HR. BENCHING @ $14.41 (MAX. 16.00) = $648.45.
16 HR. ROAD.

4 HR. @ $14.41
12 HR. @ 10.00

= 16 HR. @ 11.10 (MAX. 14.00) = $177.64
ADD. HAUL 85.00
INVOICE $911.09

OBJECTION 1 CONTINUED

CLAIMED AMOUNTS ARE THUS WITHIN MAXIMA AND IN ORDER.

OBJECTION 2: AGREED, CLOUBER'S INVOICE IS PERFUNCTORY. HOWEVER A DETAILED NOTATION BREAKING DOWN THE HOURS IS SHOWN ON THE INVOICE.

MR. CLOUBER WILL BE REQUESTED TO PRODUCE A BETTER ACCOUNTING AS TO DATE, SERVICE AND RATE. HOWEVER, THIS INVOICE AS PAID - PER ORIGINAL INVOICE SUBMITTED WITH COPIES - REPRESENTS THE SETTLEMENT OF AN INITIALLY EXTRAVAGANT CLAIM PRESENTED BY MR. CLOUBER TO THE CORPORATION.

I AM, THEREFORE, DOUBTFUL IF ANY FURTHER CO-OPERATION CAN BE OBTAINED FROM MR. CLOUBER.

I SUGGEST IT WOULD BE HELPFUL IF THE FISCAL SECTION CAN WRITE DIRECT TO F. V. CLOUBER, 1641 OSOS STREET, SAN LUIS OBISPO, STATING THAT HE HAS BEEN PAID WITH GOVERNMENT FUNDS AND REQUIRING HIS SUBMISSION OF THE DATA NEEDED.

OBJECTION 3: A SUPPLEMENTARY STATEMENT BY R. B. YAGER IS BEING OBTAINED, TO VERIFY THE SIZE AND TYPE OF BIT USED.

OBJECTION 4: AGREED. AN INVOICE IN SUPPORT OF THE $67.50 FOR 3 - 15-FT. DRAINS WILL BE REQUESTED FROM THE PRESIDENT, J. SELBY AND WILL BE SUBMITTED AS SOON AS POSSIBLE.

SINCERELY

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT

JST/JC

C.C. CHARLES OGLE

Re: MC-6168 – Proposed Amd. No. 1

On page 3, 2nd item, insert "and to construct earth dam".

Jackson
5/22/69

DRAFT WRGriswold
5/21/63

~~800~~
120
500

EXPLORATION CONTRACT
SAN SIMEON KEYSTONE, INC., ASSIGNEE
OME-6168
AMENDMENT NO. 1

It is agreed this _____ day of _____, 1963, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and San Simeon Keystone, Inc., Assignee, hereinafter called the "Operator," that Exploration Contract No. 2157 is amended, effective as of the contract date of April 19, 1962, as follows:

1. Under General Conditions, page 1 of Exhibit A, the first sentence is deleted and the following is substituted:

"Holes shall be drilled using NX or larger size coring bits, except that non-coring bits may be used when drilling above the ore zone and in other situations approved by the Government, and BX size bits may be used where necessary to complete a hole."

2. Under Description of the Work, Stage I, page 2 of Exhibit A, the first paragraph is deleted and the following is substituted:

"The presently existing access road shall be repaired and maintained, including bulldozing and installation of drains, (using a bulldozer of not less than TD 19 or equivalent size of another make); benches shall be cleaned and sites leveled for drilling; a spring shall be cleaned and an earth dam constructed for the purpose of furnishing water for drilling. The Government will contribute to bulldozing costs of not to exceed fifty (50) hours to repair and maintain the access road and not to exceed 62 hours to clean benches, level drill sites, and construct an earth dam."

3. Under Estimated Cost of the Project, Stage I, pages 3 and 4 of Exhibit A, all Stage I costs are deleted and the following substituted:

"Stage I

Actual Costs

Category (1) Independent Contracts

Drilling, size NX or larger, 1,000 feet non-coring @ $3.00/ft.	$3,000.00	
1,358 feet coring, above 300-ft. depth, NX or larger size, @ $7.00/ft.	9,506.00	
Coring, size BX, @ $6.00/ft.		
142 feet coring, NX or larger size, @ $9.00/ft., below 300-ft. depth	1,278.00	
Coring, size BX, @ $8.00/ft.		
Reaming and casing, or cement and redrilling, 250 feet @ $3.50/ft.	875.00	
Transportation of drill and equipment to and from job	150.00	~~$xxxxxxx~~ $14,809.00

Category (3), Operating Materials and Supplies

None except:		
6 drains, 12" pipe, 15' long for access road, @ $1.50/ft.	135.00	
40 wooden core boxes, @ $4.00/each	160.00	$295.00

Category (7) Miscellaneous

None except:		
Assaying 200 samples for mercury @ $4.00/each		$800.00
Total Actual Costs		$ 15,904.00

Fixed Unit Costs

Bulldozing to repair and maintain access road, 50 hours @ $14.00	700.00	
Bulldozing to clean benches and level drill sites, 62 hours @ $14.00	868.00	
Clean spring, construct earth dam, install water system, job, except bulldozing	175.00	
Incidental allowance in lieu of all costs whatsoever, except those listed above, $0.84/ft. for 2,500 feet of drilling	2,100.00	
Total Fixed Unit Costs		$3,843.00
Total Stage I		$19,747.00"

4. The Cost Summary on page 5 of Exhibit A is deleted and the following substituted:

Total Estimated Cost of Stage I	$19,747.00
Total Estimated Cost of Stage II	31,965.00
Total Estimated Cost of Project	$51,712.00
Government Participation	$25,856.00

5. Under Article 1 of the contract, the total estimated cost of the work is changed from $52,730.00 to $51,712.00, and the contribution by the Government is changed from a maximum of $26,365.00 to $25,856.00.

6. This amendment shall not be construed to increase the amount of any item designated as maximum, the fixed unit cost of any item of work, the estimated total cost of the project, or the aggregate total amount which the Government may be required to contribute.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____
Director, Office of Minerals Exploration

SAM SIMKON KEYSTONE, INC., ASSIGNEE

By _____

Title _____

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

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 6 1963

DATE		
~~May 2, 1963~~		
5/6		
	Answered	

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Reference to the last paragraph of your memorandum of April 12, 1963, it is recommended that the contract be amended because the cost would be less in repairing the present access road than in building the proposed mine road as shown in Figure 1 of the contract.

In reference to the two non-core drill holes the operator drilled in lieu of using coring bits, it did established a north and south boundary lines of their inferred ore body and that no mineralization of importance was disclosed. For the bulldozing work, since it was done by the assignee rather than by an independent contractor, the amended contract will have to be applicable accordingly.

The estimate cost on the items for the proposed changes for the access road is as follows:

(1) Bulldozing to repair and maintain access road
50 hrs. at $14.00/hr. $700.00

(2) 6 drains, 12" pipe, 15' long for access
road at $1.50/ft. $135.00

The work the operator so far has done on the contract is "messy." We are dealing with a lawyer, a certified public accountant, and a person who knows heavy construction, road building, etc., and not one of them has any idea about mining. The operator has been advised that the property should be mapped in order to evaluate their program intelligently.

Paul V. Fillo
Paul V. Fillo

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

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

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 6 1963

DATE		CODE
May 2, 1963		500
	Issued	500

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arrogo Grande, California

Re: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Thwaites:

This letter is in regards to your Company's revised January Monthly Voucher report, which this office forwarded to Washington April 1, 1963. I have been notified that the voucher as submitted is not acceptable for Government's contribution.

Please submit corrected MME Form 60 and 61 for the month of January, together with adequate and proper documentations as set forth in the penultimate paragraph of the instructions on the reverse side of MME Form 60. The original or certified copies of invoices must indicate items, quantities, unit prices, total charges, and payment terms.

The following items are to be corrected and properly documented:

(1) The independent contract rate of $14.41 per hour is in excess of the average $14.00 per hour maximum rate allowable under the contract;

(2) F. V. Clouser's invoice dated February 13 for "Dozer Time" to Date $911.09 is inadequate, as it is not detailed as to dates, services, and rates;

(3) R. B. Yager Drilling Contractor's invoice dated February 1 is inadequate as it does not indicate size or type of bit;

(4) No documentation was furnished in support of the $67.50 claimed

for three 15-foot drains; and

(5) The allowance at $0.84 for 835 feet of drilling was claimed in the amount of $693.40; whereas $701.40 is the correct amount.

Possibly, you may feel these corrections are trivial, but our Fiscal Section in Washington checks all items to the penny.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer, CME
Region II

cc:
Charles E. Ogle

Chief, Division of Field Operations, CME, Washington, D. C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 6 1963

DATE		
5/6		800
		500

May 1, 1963

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

Enclosed is a copy of a letter from the subject operator for your information and file.

Paul V. Fillo

Paul V. Fillo

Enclosure

cc:

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

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

MAY 1963
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

APRIL 29, 1963

MR. PAUL V. FILLO
ACTING FIELD OFFICER, OME
555 BATTERY, SAN FRANCISCO 11, CALIF.

RE: OME-6168 (MERCURY)
JACK SELBY AND WILLIAM J. DAWSON
KEYSTONE MINE - SAN SIMEON KEYSTONE
SAN LUIS OBISPO CO., CALIF.

DEAR MR. FILLO:

I REGRET TO SAY A FURTHER CAVE-IN IN THE BRECCIA AT THE TUNNEL ENTRANCE DURING THIS RAIN CALLS FOR A FURTHER POSTPONEMENT UNTIL JUNE.

I WILL KEEP YOU ADVISED WHEN THE TUNNEL IS FIT FOR INSPECTION.

SINCERELY

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT

JST/JC

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
4/11	Talbot	800
	[illegible]	500
	[illegible]	130
4/11	Johnson	110
4/9	[illegible]	100
4/12	[illegible]	220
		500

APR 1 2 1963

~~APR 2 2 1963~~

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

The January 1963 MME Forms 60 and 61 submitted in the name of the assignee of the subject contract were returned to you by my February 25 memorandum with the advice that payment of the Government's contribution could not be made until:

(1) an assignment and other related documents were approved by the Government;
(2) the contract was amended to provide for (a) repairing an existing road instead of constructing a new access road, (b) drilling holes entirely with non-coring in lieu of coring bits, and (c) bulldozing in part by the assignee rather than by an independent contractor; and
(3) the amounts claimed under "actual cost" provisions of the contract were adequately documented.

An assignment from Jack Selby and William J. Dawson to San Simeon Keystone, Inc., dated February 8, 1963, but effective December 17, 1962, was approved by the Government on March 5, 1963. Nevertheless, on March 29, 1963, revised January 1963 MME Forms 60 and 61 in the name of and certified by Messrs. Selby and Dawson were approved by you and submitted to the Department's Fiscal Section for payment. The Fiscal Section informally has advised that payment, however, was made to the assignee and no administrative exceptions were taken.

A review of this voucher by the Contract Administration and Audit Division has disclosed that:

(1) An existing access road was repaired by bulldozing;

43683

(2) In the assignee's own words, the road work "consisted of 12-hours of corporation personnel operation at equipment rental of $10.00 per hour and 4 hours bulldozing by independent contractor at $14.41 per hour" /underscoring supplied/;

(3) The independent contract rate of $14.41 per hour is in excess of the average $14.00 per hour maximum rate allowable under the contract;

(4) F. V. Clouser's February 13 invoice for "Dozer Time to Date $911.09" is inadequate as it is not detailed as to dates, services, and rates (although someone's notation of rates and hours has been penciled thereon);

(5) According to the assignee all drilling claimed (835 feet) was non-core and covered holes nos. 1 and 33 in their entirety;

(6) R. B. Yager Drilling Contractor's February 1 invoice is inadequate as it does not indicate size or type of bit;

(7) No documentation was furnished in support of the $67.50 claimed for three 15-foot drains; and

(8) Incidental allowance at $.84 for 835 feet of drilling was claimed in the amount of $693.40, whereas $701.40 is the correct amount.

Please have the assignee submit corrected MMK Forms 60 and 61 for the month of January, together with adequate and proper documentation. As set forth in the penultimate paragraph of the instructions on the reverse of MMK Form 60, the original or certified copies of invoices must indicate items, quantities, unit prices, total charges, and payment terms.

After receipt and approval by you, the original (with documentation) and two copies of the corrected MMK Forms 60 and 61 should be forwarded to the Contract Administration and Audit Division for review and, if acceptable, further distribution.

Furthermore, you are again requested to give us your recommendations for such amendment to contract as may be indicated for the access road, bulldozer rental, and the non-core drilling. This is important.

George C. Selfridge (gfa)

EDTalbert/ama
4-11-63

cc: Docket
Director's Reading File
CA & A Division
Fiscal Section
Mr. Talbert
Review Committee

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

OFFICIAL FILE COPY
O. M. E
RECEIVED APR 5 1963
DATE
800
500

April 1, 1963

Memorandum

To: Fiscal Section, Division of Administrative Service, Office of the Secretary, Department of the Interior, Washington, D. C.

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
San Simeon Keystone, Inc.
Jack Selby & William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed are the original and two copies of the Operator's Monthly Voucher and Progress Report for the month of January 1963, with accompanied Narrative Report.

The voucher has been checked in this office, and payment of the Government participation is recommended.

PAUL V. FILLO

Paul V. Fillo

Enclosures

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

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

March 29, 1963

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby & William J. Dawson
Keystone Mine
San Simeon Keystone, Inc. (Successor)
San Luis Obispo County, California
Contract No. 2157

Enclosed are copies of letter from the subject operator for your information and file.

Paul V. Fillo
Paul V. Fillo

Enclosures

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

OFFICIAL FILE COPY
O. M. E.
RECEIVED APR 2 1963

DATE		CODE
4/2	WJ	800
		~~120~~
	Griswold	500

Note: 2 letters, both dated 3/29/63 are enclosed. Amendments to contract are requested. Also, Jan: voucher should be in name of San Simeon Keystone, Inc., as contract assignment was effective 12/17/62. Talbert 4/2/63

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

MAR 1963
BUREAU OF MINES
OFFICE OF
INSPECTOR CONTROLLER
9 GLAM 11

MARCH 23, 1963

MR. PAUL V. FILLO
FIELD OFFICER
OME, REGION II
U. S. DEPT. OF INTERIOR
355 BATTERY STREET
SAN FRANCISCO 11, CALIF.

SUBJECT: OME-6168 (MERCURY)
SELBY AND DAWSON
KEYSTONE MINE,
SAN LUIS OBISPO, CO., CALIF.
CONTRACT 2157

DEAR MR. FILLO:

I HAVE REVISED THE JANUARY REPORTS ON THE BASIS OF YOUR ADVICE TO MR. CHARLES OGLE AND ACCORDING TO THE DATA PREVIOUSLY SUBMITTED TO YOU.

I ENCLOSE ORIGINAL AND FOUR COPIES OF:

1. FORM 60 (JAN). MONTHLY VOUCHER SIGNED BY SELBY & DAWSON INDIVIDUALLY IN THE TOTAL SUM OF $3,099.49.

   SUPPORTING EVIDENCE IN THE FORM OF INVOICES OF TWO INDEPDENT CONTRACTORS - CLOUSER $911.09
   YAGER DRILLING $1,252.50,
   IS ATTACHED, AS PRESENTED TO ME FOR PAYMENT BY SELBY AND PAID ACCORDINGLY.

   I AM INSTRUCTED TO REITERATE THAT TO THE BEST OF MY KNOWLEDGE AND BELIEVE THESE INDEPENDANT CONTRACTORS ARE IN NO WAY SHARING IN THIS VENTURE, NOR THE CORPORATION SAN SIMEON KEYSTONE INC. AND ARE, IN FACT, UNCONNECTED INDEPENDANT CONTRACTORS.

2. FORM 61 (JAN), OPERATORS PROGRESS REPORT SIGNED BY SELBY AND DAWSON INDIVIDUALLY.

3. NARRATIVE REPORT (JANUARY)

   NARRATIVE AS PREVIOUSLY SUBMITTED BY SELBY, SUPPORTED IN THE ORIGINAL SUBMISSION (FEB. 13) BY COPIES OF THE INDEPENDANT DRILLER'S LOG PREPARED BY R. B. YAGER, INDEPENDANT DRILLER OF YAGER DRILLING CONTRACTOR, 1062 MAPLE STREET, ARROYO GRANDE, CALIF.

   AGAIN, I HAVE ACCEPTED THIS DATA WITHOUT VERIFICATION BUT UNDERSTAND YOU HAVE INSPECTED THE RESULTS OF THIS WORK ON THE SITE.

IN THE ABSENCE OF ANY SIGNIFICANT SHOWINGS OF ORE, ALL DRILLING (835' JAN; 522' FEB.) WAS NON-CORE. IF CORING HAD BEEN PERFORMED WITHOUT REGARD FOR COST OR USEFULNESS, THE YAGER DRILLING CONTRACT WITH THE VENTURE WOULD HAVE CALLED FOR PAYMENT AT $7.00 PER FOOT. THIS WASTE WAS AVOIDED, ALTHOUGH THE CORE BARREL INSPECTED BY YOU STOOD READY ON SITE AT ALL TIMES.

I AM INSTRUCTED TO REQUEST PROMPT PROCESSING OF THIS JANUARY VOUCHER, DELAYED THROUGH OUR FAULTY PREPARATION.

VERY TRULY YOURS

JAMES S. THWAITES
TREASURER
SAN SIMEON KEYSTONE INC.

JST/JC

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

MAR 1963
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

MARCH 23, 1963

MR. :PAUL V. FILLO
FIELD OFFICER
OME, REGION II
U.S.DEPARTMENT OF THE INTERIOR
355 BATTERY STREET
SAN FRANCISCO 11, 1962.

SAN SIMEON KEYSTONE INC.

SUBJECT: OME 6168 (MERCURY)
SAN SIMEON KEYSTONE INC.
(SELBY-DAWSON)
KEYSTONE MINE
SAN LUIS OBISPO, CO., CALIF.
CONTRACT 2157

DEAR MR. FILLO:

WE ARE MOST APPRECIATIVE OF YOUR VISIT AND ADVICE.

NEXT MONTHLY REPORT

SUBJECT TO YOUR APPROVAL, WE PROPOSE TO REPORT FEBRUARY AND MARCH ACTIVITY TOGETHER IN A SINGLE SET OF REPORTS (ONE FORM 60, 61 AND NARATIVE).

EXTENSION OF TIME

WE NOW APPLY FOR AN EXTENSION OF CONTRACT TIME TO ENABLE A RE-APPRAISAL OF THE EXPLORATION PROGRAM AFTER CURRENT EXPLORATION OF THE WINZE AREA UNDERGROUND.

ROAD AND DRILLING SAVINGS

THE PRESENT CONTRACT ALLOWS FOR: 96-HOURS BULLDOZING ON ACCESS ROAD	$1,344.00
1,000 FT. NON-CORE DRILLING	3,000.00
1,358 FT. CORE DRILLING	9,506.00
142 FT CORE BELOW 300 FT	1,278.00
THE CHANGE OF ROAD LOCATION IS EXPECTED TO RESULT IN A TOTAL BULLDOZING COST OF 46-HOURS (16-HOURS SPENT - SEE JANUARY REPORT, F. V. CLOUSER, INDEPENDANT CONTRACTOR; 30-HOURS ESTIMATED TO GO ON RE-CLEANING AFTER PRESENT RAIN), ESTIMATED SAVING 50-HOURS @ $14.00 PER HOUR	700.00
SAVINGS HAVE ALSO BEEN MADE BY REFRAINING FROM CORING BARREN SANDSTONE 835' JANUARY; 522' FEBRUARY - 1,357-FT. TOTAL @ $1.50	2,035.50
ONE HALF OF THIS WORK ON HOLES #1, 33, 8 AND 13, COULD HAVE BEEN CORED WITHOUT SIGNIFICANT RESULT BUT AT A COST OF $7.00 PER FT (678')	4,746.00
SAVING	$2,710.50

THERE REMAIN UNDER THE CONTRACT:

NON CORE	1,000 FT.	
LESS ($\frac{1}{2}$)	678 FT.	
	322 FT @ $3.00	$966.00
CORE	1,358. FT.	
CORE (DEEP).....	142. FT.	
	1,500 FT.	
LESS NON CORE SUBSTITUTED $\frac{1}{2}$	678 FT.	
	822 FT @ $7.00	5,754.00
	REMAINING TOTAL	6,720.00

WE WOULD LIKE TO APPLY THESE SAVINGS TO DATE - ROAD 700.00
DRILLING ... 2,710.50
$3,410.50

AND THE REMAINING DRILLING $6,720.00 TO A COMPOSITE PROGRAM OF UNDERGROUND EXPLORATION WITH DIAMOND DRILL CORING TO BE FOLLOWED BY SURFACE DRILLING IN NEW POSITIONS TO BE RELOCATED AFTER YOUR ADVICE AT THAT TIME.

PRESENT SITUATION

APPROXIMATELY 10-FT. OF BLOCKED TUNNEL REMAINS TO BE CLEARED TO GAIN ACCESS TO THE WINZE AREA. WORK ON THIS CONTINUES AND IS EXPECTED TO BREAK THROUGH WITHIN THREE DAYS. THIS WILL BE FOLLOWED BY PUMPING OUT AND MAPPING THE UNDERGROUND AREA.

WE HOPE TO SEND YOU A PRELIMINARY MAP IN ABOUT FIFTEEN DAYS AND AT THAT TIME WOULD GREATLY APPRECIATE YOUR ADVICE ON THE SITE AGAIN WITH A VIEW TO DESIGNING A SUITABLE UNDERGROUND DIAMOND DRILLING PROGRAM WITH SUBSEQUENT SURFACE DRILLING AND PART II UNDERGROUND EXPLORATION.

IF YOU CAN CONVENIENTLY COME DOWN TO ADVISE US AT THAT POINT, WE WILL THEN APPLY FOR AN AMENDMENT TO THE CONTRACT TO APPLY SOME OF THE ROAD AND DRILLING SAVINGS TO A FIXED UNIT COST OF UNDERGROUND DIAMOND DRILLING AND EXPLORATION, INCLUDING SUCH RAISES, CROSS-CUTS AND DRIFTS AS MAY BE ADVISABLE IN THE LIGHT OF YOUR INSPECTION OF THE WINZE AREA AT THAT TIME.

VERY TRULY YOURS

J. S. THWAITES
TREASURER
SAN SIMEON KEYSTONE INC.

JST/JC

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

~~March 12, 1963~~
OFFICIAL FILE COPY
O. M. E
RECEIVED MAR 19 1963

DATE	INITIALS	CODE
		100
3/19		~~110~~
		~~120~~
3/20		~~600~~
		500

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby & William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

Interim Inspection

Accompanied by Jack Selby, the project was inspected on March 7, 1963.

Progress to date of inspection:

Stage I	Allowed	Completed	Remainder
Actual Cost, Independent Contract			
Bulldozing (Rep. existing road) ?	96 hrs.	16 hrs.	80 hrs.
Bulldozing (drill sites)	62 hrs.	45 hrs.	17 hrs.
Transportation of Bulldozer	$160	$ 85 ?	$75
Non Coring	1000 ft.	835 ft. ?	165 ft.
Coring (above 300 ft.)	1358 ft.		1358 ft.
Reaming & casting, etc.	250 ft		250 ft.
Transportation of drill & equip.	$150		$150
Drain pipe 12 inch	$225	$67.50	$157.50
Core Boxes at $4.00	$160		$160.00
Assaying at $4.00	200 each		200 each
Fixed Cost			
Clean spring, construct earth dam	$175	$175.00	0
Incidental allowance for drilling $0.84 per foot	2500 ft.	835 ft.	1665 ft.
Stage II (Actual Cost)			
Bulldozing (Portal site)	$64		$64.00
Assaying at $4.00	104 each		104 each
Fixed Unit Costs			
Construct adit portal & timber	$485		$485
Crosscutting & drifting at $35.00/ft.	800 ft.		800 ft.
Timbering at $7.50/ft.	400 ft.		400 ft.

The present existing road to the property has been repaired and is passable but heavy rainstorms would impede travel. Three 15-foot culverts have been installed. The spring was cleaned and the earth dam was constructed. Roads and drill sites were bulldozed for drill holes 1, 8, 13, 32, and 33. Amend.?

Three drill holes were plug drilled but only two holes (Nos. 1 and 33) were completed. Number 8 drill hole is an incomplete drill hole; the drill hit an old winze or stope workings. Amend?

The two completed drill holes showed no mineralization, and it appears the two holes have established a north and south boundary lines of an ore body.

Since No. 8 drill hole penetrated a "winze" or an old stope, the operators have suspended their surface drilling and have now, at the operators' expense started to rehabilitate 350-foot adit on the property, where they hope to examine the winze No. 8 drill hole hit. ?

Messrs. Selby, Ogle, and Thwaites have been advised that the property should have a good surface map before any more drilling is done; and now that they are rehabilitating a 350-foot adit, this should be geologically mapped so as to tie the surface map information with the underground mapping.

From these maps a program of exploring the ore body can be evaluated intelligently. If and when they reach the "winze," samples should be taken of the area and, if the assays disclose good values, possibly an underground diamond drill program would be more profitable than the surface drilling.

In reviewing Stage II of the contract, it appears most of the 800 feet of crosscutting and drifting would be dead work with the terrain such as it is. Possibly this work could be changed to a more realistic program--an opinion--extending the winze a 100 feet, providing the underground drilling program results are favorable. ?

(Miss) Augusta Nerlon
For: Paul V. Fillo
Acting Field Officer, OME
Region II

cc:

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

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

OFFICIAL FILE COPY
O. M. E
RECEIVED MAR 18 1963
DATE
3/18 400 8.00
~~Received~~ 5.00

March 12, 1963

Mr. Charles E. Ogle
Attorney at Law
770 5th Street
Morro Bay, California

Re: OME-6168 (Mercury)
Selby and Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Ogle:

Enclosed is your copy of the Assignment of Contract signed by the Director for the Government.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo

Enclosure

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

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

OFFICIAL FILE COPY
C. M. E
RECEIVED MAR 18 1963
DATE 3/18

March 11, 1963

~~800~~
~~+20~~
500

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby & William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

A cursory visit and inspection was made on the above subject property. A conference was held with Messrs. Thwaites, Ogle, and Selby, reviewing the items in the contract and the pertinent items in your memorandum of February 25, 1963.

Mr. Ogle is preparing a letter explaining and requesting changes in the contract for amendment. A corrected January monthly Voucher and Progress Report will be submitted, accompanied with documentary evidence.

Paul V. Fillo
Paul V. Fillo

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

m 7

OFFICIAL FILE COPY

Date	Surname	Code
	[illegible]	[illegible]
3/5	Talbert	800
	[illegible]	130
3/5	Johnson	110
	[illegible]	100
3/5	Coe	220
		500

MAR 5 1963

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OMZ-6168 (Mercury)
San Simeon Keystone, Inc., Assignee
Keystone Mine
San Luis Obispo County, California
Contract 2157

With reference to your memorandum of February 19, enclosed are the Operator's copy, Field Office copy, and an extra copy for the field office of the executed Assignment of Contract. Please make the proper distribution.

George C. Selfridge (gla)

Enclosures

MMerrithew/mm
3/4/63
cc: Director's Reading File
Review Committee
Docket

8623

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

IN REPLY REFER TO:

March 1, 1963

Memorandum

To: Chief, Division of Minerals
Office of Minerals Exploration

From: Assistant Solicitor
Branch of Mineral Defense Activities

Subject: Assignment Jack Selby and William J. Dawson, a partnership

Pursuant to your memorandum of February 27, 1963, we have reviewed the enclosed assignment and the performance bond and find that they adequately protect the Government's interest and are acceptable for the intended purpose.

Robert W. Long
Robert W. Long
Assistant Solicitor
Branch of Mineral Defense Activities

Enclosure

rm 7
8)

OFFICIAL FILE COPY

Date	Surname	Code
		~~[illegible]~~
		120
2/27	Johnson	110
2/28	Hamilton	100
		220

FEB 27 1963

Memorandum

To: Associate Solicitor

From: W. R. Griswold, Chief
Division of Minerals

Subject: OMM-6168 (Mercury)
Selby and Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

With reference to your January 21 memorandum to us, will you kindly review the material submitted by our Mr. Fillo on February 19. Is everything now in order?

W. R. Griswold
mm

Enclosure

WRGriswold/mm
2/27/63
cc: Director's Reading File
Docket

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
2/25	Tolbert	800
	Mounel	500
		500
	GCL	130
2/25	Holman	110
2-26	Tomich	100
2/25	cal	220
		500

FEB 25 1963

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
Selby and Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

By memorandum dated February 15 you forwarded to the Department's Fiscal Section the enclosed original and two copies of the January 1963 MME Forms 60 and 61 together with logs for drill holes nos. 1 and 33. Your memorandum states that the voucher has been checked and payment of the Government's contribution is recommended.

This voucher has been submitted in the name of San Simeon Keystone, Inc., assignee of the Operator under the subject contract. Payment, however, cannot be made to the assignee until, as set forth in my January 28 memorandum, the assignment, a new performance bond, and a copy of the instrument transferring control of the property are received and approved by the Government and the contract is appropriately amended.

In a January 14 memorandum I advised that a contract amendment would be necessary to cover the change from construction of a new access road to the repair of an existing road. In my January 28 memorandum I further advised that amendment would be required if the drilling was performed by the assignee rather than an independent contractor. It now appears that part of the bulldozing was performed by the assignee rather than an independent contractor and that holes nos. 1 and 33 were drilled entirely with non-coring bits. If such is the case, further amendment will be necessary. Please give us your recommendations.

Aside from the matters of assignment and amendment, the voucher as submitted is not acceptable for Government contribution. With the exception of the fixed unit costs of $175.00 for the job of cleaning spring, constructing dam, and installing water system, and the incidental allowance of $.84 for each foot of drilling, the claimed

43683

amounts are under "actual costs" provisions of the contract. All such costs must be supported by documentary evidence as outlined in the penultimate paragraph of the instructions on the reverse of NMB Form 60.

George C. Selfridge (gla)

Enclosures

EDTalbert/ama 2-25-63

cc:
Docket
Director's Reading File
CA & A Division
Review Committee
Fiscal Section

MME FORM 60
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

Docket No. OMX-6168
Contract No.
14-23-090-2157
Contract Amount $ 352,730.00
Gov't. Participation % 50 $ 26,365.00
Mineral(s) Mercury

OPERATOR'S MONTHLY VOUCHER

For Month of January 1963

Operator's Name SAN SIMEON KEYSTONE, INC.
Address 77[illegible] - [illegible] Street, Morro Bay, [illegible]

COST CATEGORIES	FOR OPERATOR'S USE: MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE	FOR GOVERNMENT APPROVAL ONLY: MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE
Fixed Unit Costs and						
(1) Independent Contracts:						
Bulldozing [illegible]	[illegible]	----	177 [illegible]			
Blasting [illegible]	[illegible]	----	[illegible]			
Crosscutting						
Drilling 835 @ [illegible]	2,5[illegible]	----	2,50[illegible]			
(non-[illegible])						
Haul Bulldozer to Site	85.00	----	[illegible]			
(2) Personal Services:						
Supervision & Technical						
Outside Consultants						
Labor						
(3) Operating Mat'l. & Supplies						
Timber						
Explosives						
Pipe						
Rail						
3 [illegible]						
$1.[illegible] per [illegible]	[illegible]	----	[illegible]			
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehab. & Repairs:						
Buildings, Fixtures, etc.						
Operating Equipment						
(6) New Buildings, Fixtures, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Analytical Work						
Payroll Taxes						
Employee's Liability Ins.						
Fixed Unit costs						
835' drilling @						
84¢ ft.	693.40	----	693.40			
Clean Spring Const.	175.00	----	175.00			
Earth Dam						
TOTALS	[illegible]		[illegible]			

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

Date 2-13-63 *Payee SAN SIMEON KEYSTONE, INC. By [illegible]

Per _____ 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.

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

(INSTRUCTIONS ON REVERSE)

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

$ _____

Signature _____
(Authorized Certifying Officer)

Date _____ Vou. No. _____
(SEE OTHER SIDE)

MME FORM 61-F
SEPT. 1960

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OPERATOR'S PROGRESS REPORT For Month of January, 1963 Docket No: _____

Operator's Name San Simeon Keystone, Inc. Contract No. 14-23-090

OPERATION	UNITS	FOR OPERATOR'S USE: UNITS THIS MONTH	UNITS TO DATE	COSTS TO DATE	FOR GOVERNMENT USE: APPROVED UNITS THIS MONTH	APPROVED UNITS TO DATE	APPROVED COSTS TO DATE
Drifting							
Crosscutting							
Raising							
Shafts							
Winzes							
Other Underground							
Drilling, Core-Diamond							
Rotary	835'	835'	835'	$2,505.00			
Drilling, Non-core-Diamond							
See Above Rotary							
Churn							
Percussion							
Miscellaneous Contract Engineer	5	5	5	645.45			
Build Dam & Spring	1	1	1	175.00			
Roads and Trails	4 mi.	4 mi.	4 mi.	177.[illegible]			
Hard Bulldozer	--	-	--	[illegible]			
Trenching							
Test Pitting							
Other Surface Work 3 drains	3	3	3	[illegible]			
Initial Rehabilitation and Repairs							
Rehabilitation of Mine Workings							
New Buildings, Fixtures, etc.							
Operating Equipment Purchases							
Analytical Work Fixed unit costs @ 84¢ ft.				693.42			
TOTAL TO DATE (per MME Form 60)							

REMARKS Commencing about Feb. 1, 1963 heavy rains have hit the San Luis Obispo County Area substantially stopping work on the mine, and probably precluding further work for a period of some weeks. Work performed since Jan. 1, 1963 consists of transporting a D6 Bulldozer and drill and drill equipment to the Job Site; preparing approximately 4 miles of road running from the Machado Ranch (which is on a County

(Continue on back)

REMARKS

(Continue on back)

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.

SAN SIMEON KEYSTONE, INC.

Date Feb. 13, 1963 By: Operator [signature]

Per _____ Title President

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

I certify that the information above is complete and accurate to the best of my knowledge and belief.

Signature _____

Title _____
Government Representative

Date _____

(INSTRUCTIONS ON REVERSE)

REMARKS (Cont.)

REMARKS (Cont.)

road) to the mine. This is the same road the subject of letter from CME San Francisco office to Charles E. Ogle, dated Jan. 4, [illegible], further referred to as the "present access road". Two 1/4 mile sections of the road had washed out areas which were cut and refilled. Three crossings were filled in preparation for culverts. Three 15' culverts 12" or larger in size were purchased and put on the site, with one being installed. Bulldozer time relative to the road consisted of 12 hours of corporation personnel operation at equipment rental of $10.00 per hour and 4 hours bulldozing by independent contractor at $14.41 per hour. The spring was cleaned and an earth dam was constructed at the mine. Benches for drill holes No. 1, 8, 13, 32 and 33 were constructed. Bulldozing time relative to the latter items was 45 hours at $14.41 per hour in by independent contractor. Drill holes No.'s 1 and 33 were drilled without significant indications of ore being discovered. Copies of drillers log respecting such holes attached. In addition, hole No. 8 was drilled, but not completed, and hence payment not claimed to date; however, at this site there was located an extension of the 1873 Winze previously proposed for exploration under Phase II. To take maximum advantage of the flexibility of further drill holes, surface drilling has been suspended pending underground investigation of the Winze Area. Request is made that funds be made available to conduct such underground investigation in view of savings on road construction and previous reports of ore in the vicinity of the Winze area when the mine was worked in 1873.

INSTRUCTIONS FOR PREPARING OPERATOR'S PROGRESS REPORT, FORM 61

This report is the second of the three parts of the Operator's Monthly Report. Submit the original and four copies.

The cost for each operation should be the total of all claimed costs attributable to that type of work with two exceptions, namely—operating equipment purchased and analytical work which are stated separately. For example, drifting costs should be the total of all costs chargeable to drifting including supervision, technical services, timbering (if any), etc. Similarly, drilling costs should include the cost of cementing, reaming, core boxes, etc. This procedure of distribution holds whether the contract was written on an actual cost or a unit cost basis, or some combination of the two. Distribute the cost of such general items as supervision, equipment rented, etc. according to relative footages or on some other conventional basis. The item "Initial Rehabilitation and Repairs" covers all rehabilitation and/or repairs other than the rehabilitation of mine workings.

The item titled "Drilling, Non-core Percussion" includes all drilling performed with wagon, jack-hammer, stoper and mounted drills. The several items labelled "Other" are provided to take care of particular exploration operations not specified on this form.

LOG

Hole number 1 Stn, 14

O.M.E. Exploration 6168 at Keystone Mine.

0-143' Gray sandstone. Same as shows on surface of cut for drill bench.
143-167' Gray sandstone as above but of a little coarser texture and somewhat harder.
167-175' Gray sandstone highly altered by silica resembling chalcedony with some marcasite inclusions. No colors or oxidation of iron.
175-196' Gray sandstone with streks of silica, the streaks being a thickness of 8 to 12". No sulfides.
196-202' Gray sandstone(slightly darker) showing some serpentine and other dark rock resembling andesite or some other igneous rock. At this point slight signs of calcite crystals appeared and we panned six colors or crystals of cinnabar from one pan; First encountered.
202-238' Gray sandstone with slight trace of serpentine. Pannings showed a little black iron but no sulfides.
238-304' Same as above but with less serpentine and being somewhat darker in color. No signs of any mineralization.
304-500' Gray sandstone becoming lighter in color and slightly harder.

Remarks:

This sandstone seemed to be laminated at intervals of 20 to 25', the seams were 6 to 14" in thickness but showed no signs of any attrition, just silicas. There wasnt any oxidation and the hole appeared to be dry.

The sandstone found in this hole is identical to the sandstones found on the road between Rocky Butte Lookout and Pine mountain.and is locally called "Chico Sandstone".

LOG

Hole # Stn, 33

O.M.E. Exploration 6168 at Keystone Mine

0- 10' Same as shows on surface
10- 84' Serpentine and sandstone breccia with some dark [illegible]-
ous material indicating a gouge.
84-125' Metamorphic sandstone.
125-133' Brecciated brown chert- not too hard and a little [illegible]
clay in it.
133-150' Brown metamorphic sandstone containing almost every [illegible]
of foreign material in it. Some sulfides but no colors of [illegible].
150-168 Brown chert, very hard.
168-335 Gray sandstone unaltered and no sulfides at all. The
sandstone darkened as depth.

Remarks:

This hole seemed to be on the edge of a gouge as the samples
will show and evidence on surface will indicate.

Samples were kept on both these holes at 5' intervals.

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

February 21, 1963

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby & William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

Enclosed is a copy of a letter from the subject operator for your information and files.

Paul V. Fillo

Paul V. Fillo

Enclosure

OFFICIAL FILE COPY
O. M. E
RECEIVED FEB 25 1963

DATE	INITIALS	CODE
2/26	E.D.J.	800
		~~FLO~~
	~~Forwarded~~	~~500~~

CHARLES E. OGLE
ATTORNEY AT LAW
770 5TH STREET
MORRO BAY, CALIFORNIA
TELEPHONE SPRUCE 2-7353

COPY

February 18, 1963

Mr. Paul V. Fillo, Acting Field Officer
OME, Region II
United States Department of the Interior
555 Battery Street
San Francisco 11, California

Re: OME-6168 (Mercury)
Jack Selby & William J. Dawson
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Please accept this letter as a correction and/or amendment of MME forms 60 and 61 submitted with my letter of the 13th.

On each form the correct amount for drilling should have been $1252.50 rather than $2,505. The figure of $3 per foot was mistakenly picked up from the contract whereas for non-core drilling it is $1.50 per foot* and for 835' this figure should then be $1252.50.

The total costs to date should therefore be $3,099.49 rather than $4,351.99.

CHARLES E. OGLE

CEO:P

cc: Mr. J. Thwaites

* the sub-contract rate.

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

OFFICIAL FILE COPY
O. M. E
RECEIVED FEB 25 1963

DATE	INITIALS	CODE
2/25	[illegible]	800
		120
	Greenwald	500

February 19, 1963

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Selby and Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

Enclosed is a copy of a letter from the subject operator with the original and five copies of assignment of contract signed by Jack Selby and William J. Dawson; also the original and five copies of Performance Bond signed by Charles E. Ogle, Oliver Edwin, and "Ted" Lucas as sureties and San Simeon Keystone, Inc. as principal, and five copies of Selby and Dawson assignment transferred to San Simeon Keystone, Inc.

The above copies of assignments and Performance Bonds are to be reviewed to determine if they will meet Government approval for the Director's signature.

P. V. Fillo

P. V. Fillo

Enclosures

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E
RECEIVED FEB 19 1963

DATE		
2/19	4007	800
		500

February 15, 1963

Memorandum

To: Fiscal Section, Division of Administrative Services, Office of the Secretary, Department of the Interior, Washington, D. C.

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Shelby and Dawson
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed are the original and two copies of the Operator's Monthly Voucher and Progress Report for the month of January, 1963.

The voucher has been checked in this office and found to comply with the contract's specifications. Payment of the Government participation is recommended.

Paul V. Fillo

Enclosures

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

MME FORM 6.1
SEPT. 1963

APR 10 1963

Murphy 4/11

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OPERATOR'S PROGRESS REPORT For Month of JANUARY 1963 Docket No. OME-6168

Operator's Name SELBY-DAWSON - OME 6168 Contract No. 14-23-090- 2157

OPERATION	UNITS	FOR OPERATOR'S USE: UNITS THIS MONTH	UNITS TO DATE	COSTS TO DATE	FOR GOVERNMENT USE: APPROVED UNITS THIS MONTH	APPROVED UNITS TO DATE	APPROVED COSTS TO DATE
Drifting							
Crosscutting							
Raising							
Shafts							
Winzes							
Other Underground							
Drilling, Core-Diamond							
Rotary							
Drilling, Non-core-Diamond							
Rotary	1000'	835'	835'	1,252.50	"		
Churn			F. UNIT	693.40	"		
Percussion							
Miscellaneous BENCHING	62HR.	45HR.	45HR.	648.45	"		
CLEAN DAM & SPRING	FIX	FULL	FULL	175.00	"		
Roads and Trails	4MI	4MI	4MI	177.64	"		
Stripping							
Trenching							
Test Pitting HAUL DOZER DRILL	FIX	1-WAY	1-WAY	85.00			
Other Surface Work DRAINS	150'	45'	45'	67.50	"		
Initial Rehabilitation and Repairs							
Rehabilitation of Mine Workings							
New Buildings, Fixtures, etc.							
Operating Equipment Purchases							
Analytical Work							
TOTAL TO DATE *(per MME Form 60)*				3,099.49			

REMARKS

SEE NARRATIVE REPORT - JANUARY LETTER ATTACHED

(Continue on back)

REMARKS

(Continue on back)

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 _____ Operator W. J. Dawson

Per _____ Title Jackie Selby

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

I certify that the information above is complete and accurate to the best of my knowledge and belief.

Signature Paul V. Tillo

Title Acting Field Officer
OME Region IV Government Representative

Date March 29, 1963

(INSTRUCTIONS ON REVERSE)

REMARKS *(Cont.)*

MAR 1963
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

REMARKS *(Cont.)*

INSTRUCTIONS FOR PREPARING OPERATOR'S PROGRESS REPORT, MME FORM 61

This report is the second of the three parts of the Operator's Monthly Report. Submit the original and four copies.

The cost for each operation should be the total of all claimed costs attributable to that type of work with two exceptions, namely—operating equipment purchased and analytical work which are stated separately. For example, drifting costs should be the total of all costs chargeable to drifting including supervision, technical services, timbering (if any), etc. Similarly, drilling costs should include the cost of cementing, reaming, core boxes, etc. This procedure of distribution holds whether the contract was written on an actual cost or a unit cost basis, or some combination of the two. Distribute the cost of such general items as supervision, equipment rented, etc. according to relative footages or on some other conventional basis. The item "Initial Rehabilitation and Repairs" covers all rehabilitation and/or repairs other than the rehabilitation of mine workings.

RECEIVED
1963

The item titled "Drilling, Non-core Percussion" includes all drilling performed with wagon, jack-hammer, stoper and mounted drills. The several items labelled "Other" are provided to take care of particular exploration operations not specified on this form.

MME FORM 50
SEPT. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

Docket No. OME-6168
Contract No.
14-23-090- 2157
Contract Amount $ 52,730.00
Gov't. Participation % 50 $ 26,365.00
Mineral(s) MERCURY

OPERATOR'S MONTHLY VOUCHER

For Month of JANUARY 1963

Operator's Name SELBY-DAWSON OME-6168
Address

COST CATEGORIES	FOR OPERATOR'S USE: MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE	FOR GOVERNMENT APPROVAL ONLY: MONTHLY TOTAL	PREVIOUSLY REPORTED	TOTALS TO DATE
Fixed Unit Costs and (1) Independent Contracts: ROAD	177.64	-	177.64			
Bulldozing DAM	648.45	-	648.45			
Drifting						
Crosscutting						
Drilling 835' NON-CORE	1252.50	-	1252.50			
TRANSPORTATION OF DRILL Dozer	85.00	-	85.00			
(2) Personal Services:						
Supervision & Technical						
Outside Consultants						
Labor						
(3) Operating Mat'l. & Supplies:						
Timber						
Explosives						
Pipe						
Rail						
3x15' GRATING AT $1.50 P.FT.	67.50	-	67.50			
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehab. & Repairs:						
Buildings, Fixtures, etc.						
Operating Equipment						
(6) New Buildings, Fixtures, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Analytical Work						
Payroll Taxes						
Employee's Liability Ins.						
FIXED UNIT COSTS 835' AT .84¢	693.40	-	693.40			
CLEAN SPRING/DAM	175.00		175.00			
TOTALS	3099.49		3099.49	3,099.49		3,099.49

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

Date _____ *Payee W. J. Dawson Jack W. Selby

Per _____ Title _____

* 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.

A willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction is a criminal offense. (U.S. Code, Title 18, Sec. 1001.)

(INSTRUCTIONS ON REVERSE)

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

$ 1,549.74

Signature BWB
(Authorized Certifying Officer)

Date 4/8/63 Vou. No. 5208

(SEE OTHER SIDE)

Certification by Government Representative:

I certify that, to the best of my knowledge and belief the contractor submitting this voucher is operating an exploration project in accordance with the terms of Contract No. 2157

Signature Paul V. Fillo Title Acting Field Officer Date March 29, 1963

Approved by OME Executive Officer or Alternate: OME Region III

Signature Paul V. Fillo Title Acting Field Officer Date March 29, 1963

OPERATOR'S MONTHLY REPORT

The Operator, under an Office of Minerals Exploration contract, is required to report monthly to the Government. The report consists of three parts.

FIRST, the Operator's Monthly Voucher on MME Form 60 listing the project costs incurred and claimed by the Operator is the voucher basis for payment of the Government's share of the cost.

SECOND, the Operator's Progress Report on MME Form 61 is a statistical report of the units and cost of of work performed under the contract.

THIRD, the Operator's Narrative Report is a concise description of the work performed, results accomplished, and any unusual situations encountered, illustrated and supported by engineering-geological maps or sketches, drill hole logs, assay reports, etc., as pertinent.

The Operator submits the original and four copies of each of the three sections of this report to the OME regional Executive Officer at the end of each month during the life of the contract.

PREPARATION OF OPERATOR'S MONTHLY VOUCHER, MME FORM 60

After all applicable spaces are filled in, the Operator or his agent must sign the certification in the lower left corner. Categories (2) through (7) apply to "Actual Cost" contracts only.

Under "Fixed Unit Costs" and Category (1) report, (a) the total fixed unit costs of work performed under contract provisions for contribution by the Government on a basis of "fixed unit costs"; and (b) the claimed costs of work performed on a unit-price basis by independent contractors.

Under Category (2) include the claimed costs of all payrolled and invoiced supervisory, technical, and labor personnel, except the costs for services applicable to Categories (5) and (6).

Under Category (3) include the claimed costs of all project materials and supplies other than those used for work under Categories (5) and (6).

Under Category (4) report claimed rentals on equipment belonging to a third party, claimed payments or obligations for payments on the Operator's purchase of equipment, and claimed depreciation for the use of Operator-owned equipment.

Under Categories (5) and (6) include all claimed costs of labor, supervision, technical services, operating materials and supplies, and all other items used in (5) the initial rehabilitation and repairs of existing buildings, fixtures, installations (exclusive of mine workings), and operating equipment; and (6) the installation or construction of new buildings, fixtures, and fixed improvements (exclusive of mine workings). Do not report these costs under Categories (2), (3), (4), and (7).

Under Category (7) include all miscellaneous claimed costs such as repairs (other than initial) and maintenance of equipment, sampling and analysis, travel, communication, accounting, office expenses, and the Operator's share of payroll taxes and insurance.

Except for amounts claimed under "fixed unit costs" provisions of the contract, all costs claimed in this voucher must be supported by documentary evidence consisting of: (a) certified copies or transcripts of payrolls which list each employee, wage rate, period of employment, gross earnings, itemized deductions, and net earnings; (b) original or certified copies of invoices, statements of accounts, or purchase orders which indicate items of materials or services, quantities, unit prices, total charges, and payment terms; and (c) certified memoranda of the Operator for such items as depreciation of Operator-owned equipment, unemployment taxes, and employee's liability insurance. The certification may be stated thus, "Certified True Copy (or Transcript)", followed by the signature of the Operator or his agent. One copy of each document should accompany the original of this voucher.

The requirement for submitting documentary evidence of claimed costs may be waived by the OME regional Executive Officer if he determines that it is impracticable for an Operator to submit this material. In any case of waiver of this requirement an "on-site" audit by an OME auditor is mandatory prior to payment of the final Operator's Monthly Voucher.

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVE., ARROYO GRANDE, CALIF.

MAR 1963
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

MARCH 23, 1963

MR. PAUL V. FILLO
FIELD OFFICER
OME, REGION 11
U. S. DEPT. OF INTERIOR
355 BATTERY STREET
SAN FRANCISCO 11, CALIF.

SUBJECT: OME-6168 (MERCURY)
SELBY AND DAWSON
KEYSTONE MINE,
SAN LUIS OBISPO, CO., CALIF.
CONTRACT 2157

DEAR MR. FILLO:

I HAVE REVISED THE JANUARY REPORTS ON THE BASIS OF YOUR ADVICE TO MR. CHARLES OGLE AND ACCORDING TO THE DATA PREVIOUSLY SUBMITTED TO YOU.

I ENCLOSE ORIGINAL AND FOUR COPIES OF:

1. FORM 60 (JAN). MONTHLY VOUCHER SIGNED BY SELBY & DAWSON INDIVIDUALLY IN THE TOTAL SUM OF $3,099.49.

   SUPPORTING EVIDENCE IN THE FORM OF INVOICES OF TWO INDEPDENT CONTRACTORS - CLOUGER $911.09
   YAGER DRILLING $1,252.50,
   IS ATTACHED, AS PRESENTED TO ME FOR PAYMENT BY SELBY AND PAID ACCORDINGLY.

   I AM INSTRUCTED TO REITERATE THAT TO THE BEST OF MY KNOWLEDGE AND BELIEVE THESE INDEPDANT CONTRACTORS ARE IN NO WAY SHARING IN THIS VENTURE, NOR THE CORPORATION SAN SIMEON KEYSTONE INC. AND ARE, IN FACT, UNCONNECTED INDEPDANT CONTRACTORS.

2. FORM 61 (JAN), OPERATORS PROGRESS REPORT SIGNED BY SELBY AND DAWSON INDIVIDUALLY.

3. NARRATIVE REPORT (JANUARY)

   NARRATIVE AS PREVIOUSLY SUBMITTED BY SELBY, SUPPORTED IN THE ORIGINAL SUBMISSION (FEB.13) BY COPIES OF THE INDEPENDANT DRILLER'S LOG PREPARED BY R. B. YAGER, INDEPENDANT DRILLER OF YAGER DRILLING CONTRACTOR, 1062 MAPLE STREET, ARROYO GRANDE, CALIF.

   AGAIN, I HAVE ACCEPTED THIS DATA WITHOUT VERIFICATION BUT UNDERSTAND YOU HAVE INSPECTED THE RESULTS OF THIS WORK ON THE SITE.

IN THE ABSENCE OF ANY SIGNIFICANT SHOWINGS OF ORE, ALL DRILLING (835' JAN; 522' FEB.) WAS NON-CORE. IF CORING HAD BEEN PERFORMED WITHOUT REGARD FOR COST OR USEFULNESS, THE YAGER DRILLING CONTRACT WITH THE VENTURE WOULD HAVE CALLED FOR PAYMENT AT $7.00 PER FOOT. THIS WASTE WAS AVOIDED, ALTHOUGH THE CORE BARREL INSPECTED BY YOU STOOD READY ON SITE AT ALL TIMES.

I AM INSTRUCTED TO REQUEST PROMPT PROCESSING OF THIS JANUARY VOUCHER, DELAYED THROUGH OUR FAULTY PREPARATION.

VERY TRULY YOURS

JAMES S. THWAITES
TREASURER
SAN SIMEON KEYSTONE INC.

JST/JC

SAN SIMEON KEYSTONE INC.

NARATIVE REPORT - JANUARY 1963 - OME 6168

COMMENCING ABOUT FEB. 1, 1963 HEAVY RAINS HAVE HIT THE SAN LUIS OBISPO CO. AREA SUBSTANTIALLY STOPPING WORK ON THE MINE, AND PROBABLY PRECLUDING FURTHER WORK FOR A PERIOD OF SOME WEEKS. WORK PERFORMED SINCE JAN. 1, 1963 CONSISTS OF TRANSPORTING A D8 BULLDOZER AND DRILL AND DRILL EQUIPMENT TO THE JOB SITE; PREPARING APPROXIMATELY 4 MILES OF ROAD RUNNING FROM THE MACHADO RANCH (WHICH IS ON A COUNTY ROAD) TO THE MINE. THIS IS THE SAME ROAD THE SUBJECT OF LETTER FROM OME SAN FRANCISCO OFFICE TO CHARLES E. OGLE, DATED JAN. 4, 1963, FURTHER REFERRED TO AS THE "PRESENT ACCESS ROAD".

TWO ½ MILE SECTIONS OF THE ROAD HAD WASHED OUT AREAS WHICH WERE CUT AND REFILLED. THREE CROSSINGS WERE FILLED IN PREPARATION FOR CULVERTS. THREE 15' CULVERTS 12" OR LARGER IN SIZE WERE PURCHASED AND PUT ON THE SITE, WITH ONE BEING INSTALLED. BULLDOZER TIME RELATIVE TO THE ROAD CONSISTED OF 12-HOURS OF CORPORATION PERSONNEL OPERATION AT EQUIPMENT RENTAL OF $10.00 PER HOUR AND 4 HOURS BULLDOZING BY INDEPENDENT CONTRACTOR AT $14.41 PER HOUR.

THE SPRING WAS CLEANED AND AN EARTH DAM WAS CONSTRUCTED AT THE MINE. BENCHES FOR DRILL HOLES NO. 1, 8, 13, 32 AND 33 WERE CONSTRUCTED. BULLDOZING TIME RELATIVE TO THE LATTER ITEMS WAS 45 HOURS AT $14.41 PER HOUR BY INDEPENDENT CONTRACTOR. DRILL HOLES NOS. 1 AND 33 WERE DRILLED WITHOUT SIGNIFICANT INDICATIONS OF ORE BEING DISCOVERED.

COPIES OF DRILLERS LOG RESPECTING SUCH HOLES ATTACHED TO ORIGINAL JAN. REPORT SUBMITTED FEB. 13, 1963.

IN ADDITION, HOLE NO. 8 WAS DRILLED, BUT NOT COMPLETED, AND HENCE PAYMENT NOT CLAIMED TO DATE; HOWEVER, AT THIS SITE THERE WAS LOCATED AN EXTENSION OF THE 1873 WINZE PREVIOUSLY PROPOSED FOR EXPLORATION UNDER PHASE II. TO TAKE MAXIMUM ADVANTAGE OF THE FLEXIBILITY OF FURTHER DRILL HOLES, SURFACE DRILLING HAS BEEN SUSPENDED PENDING UNDERGROUND INVESTIGATION OF THE WINZE AREA.

REQUEST IS MADE THAT FUNDS BE MADE AVAILABE TO CONDUCT SUCH UNDERGROUND INVESTIGATION IN VIEW OF SAMNGS ON ROAD CONSTRUCTION AND PREVIOUS REPORTS OF ORE IN THE VICINITY OF THE WINZE AREA WHEN THE MINE WAS WORKED IN 1873.

R. B. YAGER DRILLING CONTRACTOR

ROTARY DRILLING

SHOT HOLES - CORE DRILLING - SAND DRAINS

WATER WELLS GRAVEL PACKED

State License 109028

1062 Maple Street

Phone A.G. 5633

ARROYO GRANDE, CALIF. Feb. 1, 1963 19

M Keystone Mines Inc.

770 5th Street Morro Bay, Calif.

835' of test holes at ~~$50~~ 1.50 per ft:	$1252.50	

F. V. CLOUSER
EXCAVATING and LOWBED HAULING
1641 OBOS STREET PHONE LI 3-2893
SAN LUIS OBISPO, CALIFORNIA

OUR NUMBER 4114

DATE

CUSTOMER'S ORDER

SALESMAN

TERMS

F O B

Sold To Keystone Mine (Selby & Dawson) Morro Bay

Cat D-8 Dozer

Rate $14.41/hr

Feb 8 Dozer Time To Date — 911.09

Being:

45 hrs	@	14.41	648.45
4 "	@	"	57.64
1½ "	@	10.10	15.15
Back Dozer			191.84
			911.09

911.09

Redi-form 7H 722

MAR 1963
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

Law Offices of
CHARLES E. OGLE

770 FIFTH STREET
MORRO BAY, CALIFORNIA
SPRUCE 2-7353

February 13, 1963

United States
Department of the Interior
Office of Minerals Exploration
555 Battery Street
San Francisco 11, California

Attention: Mr. Paul V. Fillo

Re: OME 6168 (Mercury)
Selby and Dawson
Keystone Mine, San Luis Obispo County
Contract 2157

As requested by your letter of February 6, enclosed are original and five copies of assignment, performance bond, and copies of instrument showing transfer of control of property.

Referring to the last paragraph of your letter, the corporation was definitely not formed for the purpose of doing the drilling under the contract. The drilling work is being performed by Mr. Robert Yager pursuant to a subcontract executed by Mr. Yager and the corporation. He is a driller of very wide experience in this area and is not connected in any way with the corporation. He is an independent contractor as to the drilling work.

Also enclosed find original and three copies of MME Forms 60 and 61. Note particularly the remarks on Form 61. We are very much interested in the possibility of having funds made available either by a shifting of funds that were saved by virtue of the road construction, or by an allocation of some Stage 2 funds, for the purpose of cleaning out the old Winze Area to ascertain whether ore may be found in the Winze Area itself or to allow us to do exploratory drilling (such as a vertical contuance of Hole No. 8-with various slant projects) from the Winze Area itself. I would appreciate your comments as to the possibility of obtaining such reallocation.

Amend. ?

I hope the remarks and cost data concerning the road contained in the enclosed reports fulfills my promise to you, when I phoned you in San Francisco, to give you complete cost breakdown as to monies saved on the road.

I might add that we all consider it a fortuitous event that we struck the old Winze Area, as its historical background indicates the Winze "was in the ore", but its exact location was never precisely known-at least in recent years. We now, of course, can precisely locate it, having drilled into it.

CHARLES E. OGLE

CEO:ns
Encl.
cc: Mr. J. Thwaites

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E
RECEIVED 3 1 1963

February 6, 1963

2/11 800 500

Mr. Charles E. Ogle
Attorney at Law
770 5th Street
Morro Bay, California

Re: OME-6168 (Mercury)
Selby and Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Ogle:

Our Washington office has reviewed your proposed assignment with reference to the above contract and found that the Government's interest is not protected because the assignment does not indicate:

1. that the Assignee has acquired control of the Assignor's interest in the land pertaining to the contract;

2. that the Assignor consents to all future amendments (including a termination agreement) and assignments of the contract and waives notice thereof;

3. that the Assignor releases the Government from all claims under the contract;

4. that the Assignor is not released from any of the terms, provisions and conditions of the contract,

Enclosed are the original and five copies of a proposed assignment form which will be acceptable if additions are made as follows:

n the second paragraph, insert the address of San meon Keystone, Inc.

he same paragraph, insert the type and date of the nstrument by which control of the property was transferred to the Assignee

It will be necessary to furnish a new Performance Bond signed by Charles E. Ogle and Oliver Edwin Ted Lucas as sureties and San Simeon Keystone, Inc. as principal. Six copies of the Performance Bond form are enclosed.

If the new form of assignment meets with your approval, please have all copies completed and signed by Assignor and Assignee and return all copies to this office, together with true copies of the instrument showing transfer of control of the property to San Simeon Keystone, Inc., and the new Performance Bond.

If the new assignment when completed meets with the approval of the Government, all copies will be signed by the Director for the Government, and your copy will be returned.

With reference to your letter of December 19, 1962, it appears from the signature of Jack Selby as president of San Simeon Keystone, Inc. in the original assignment that the Assignee is a corporation formed for the purpose of doing the drilling under the contract. If this is the case, the work would no longer be under independent contract, and the contract would have to be amended or rewritten. It is important that this be explained.

Sincerely yours

Paul V. Fillo

Enclosures

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

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
1/25	Holt	500
	Amarel	500
1/25	Talbert	800
	GCS	130
1/25	Johnson	110
1-28	[illegible]	100
1/28	Cal	220
		500

JAN 28 1963

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
Selby and Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

The proposed assignment of the subject contract, forwarded with your memorandum of December 27, 1962, has been reviewed, and we find that it does not protect the Government's interest because it does not indicate:

(1) that the Assignee has acquired control of the Assignor's interest in the land of the contract;

(2) that the Assignor consents to all future amendments (including a termination agreement) and assignments of the contract and waives notice thereof;

(3) that the Assignor releases the Government from all claims under the contract, and;

(4) that the Assignor is not released from any of the terms, provisions and conditions of the contract.

Enclosed are the original and five copies of a proposed assignment form that will be acceptable if additions are made as follows:

(a) In the second paragraph insert the address of San Simeon Keystone, Inc.

(b) In the same second paragraph insert the type and date of the instrument by which control of the property was transferred to the Assignee.

It will be necessary to furnish a new performance bond signed by Charles E. Ogle and Oliver Edwin Ted Lucas as sureties and San Simeon Keystone, Inc. as principal. Six copies of the performance bond form are enclosed.

43683

If the new form of assignment meets with your approval and that of the Operator, all copies should be completed and signed by Assignor and Assignee, and you should return all copies to this office, together with true copies of the instrument showing transfer of control of the property to San Simeon Keystone, Inc. and the new performance bond. If the new assignment, as completed, meets with the approval of the Government, all copies will be signed by the Director for the Government and your copy and the Operator's copy will be returned to your office.

All copies of the assignment forwarded with your memorandum of December 27, 1962, are also enclosed for return to the Operator.

It would seem from the signature of Jack Selby as president of San Simeon Keystone, Inc., and the statement in the letter of December 19, 1962, from Charles E. Egle, forwarding the assignment to you, that the Assignee is a corporation formed for the purpose of doing the drilling under the contract. If that is the case, the work would no longer be under independent contract, and the contract would have to be amended or rewritten. Please clarify this point with the Operator, and inform us of its reply, with your recommendations.

George C. Selfridge (gla)

Enclosures

SPHolt/mm
1/25/63
cc: Director's Reading File
Review Committee
Docket

P.S. Assignment of the contract may also entail some revision of the independent contract prices.

We told them assignment would be satisfactory so long as it protected the Govt interest and had a clause for Govt to approve. Similar Assignmt 6193 would be ok.

This is no good as it does not adequately protect U.S.

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

IN REPLY REFER TO:

January 21, 1963

Memorandum

To: W. R. Griswold, Chief
Division of Minerals

From: Assistant Solicitor
Branch of Mineral Defense Activities

Subject: Assignment Jack Selby and William J. Dawson, a partnership
OME 6168

The enclosed assignment dated December 17, 1962 executed by Messrs. Selby and Dawson, assignor, and by San Simeon Keystone, Inc., assignee, does not adequately protect the Government's interest.

Specifically the assignment does not indicate (1) that the assignee has acquired the assignor's interest in the land; (2) that the assignor consents to all future amendments (including a termination agreement) and assignments of the Contract and waives notice thereof; (3) that the assignor releases the Government from all claims under the Contract and (4) that the Assignor is not released from any of the terms, provisions, and conditions of the Contract.

Accordingly, we recommend that the usual standard form of assignment be executed.

In addition, we assume that you will require the assignee to furnish a new Performance Bond.

Robert W. Long
Robert W. Long
Assistant Solicitor
Branch of Mineral Defense Activities

Enclosure

FOR VALUE RECEIVED, [illegible] WILLIAM J. DAWSON [illegible] SAN SIMEON KEYSTONE, INC., [illegible] right, title and [illegible] "[illegible] contract" dated [illegible] America, acting [illegible] of Minerals [illegible] said corporation hereby [illegible] the Government's [illegible] under said contract and assumes [illegible] and conditions of the [illegible] 14-23-090-2157.

Dated:

December 17, 1962

[illegible]

[illegible]

SAN SIMEON KEYSTONE, INC.

[illegible]

President

Consent to the above assignment is hereby given.

THE UNITED STATES OF AMERICA

Director, Office of Minerals
By [illegible]

Original and all carbons returned to Reg II with terms of 1.25 S.O.H.

AE Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
1/14	Holt	500
	[illegible]	500
1/14	Talbot	800
	[illegible]	130
1/14	Johnson	110
1/14	Tennis	100
1/14	Cre	220
		500

Dbl not attached

JAN 14 1963

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
Selby and Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

As the change from construction of a new access road to repair of a present road involves a major change in a work item authorized by the contract, with changes in estimated costs set up in the contract, it will be necessary to prepare a contract amendment to authorize the changes.

Please, therefore, submit at your earliest convenience necessary data with a detailed cost estimate for the proposed change in the access road work so that we may prepare a contract amendment.

George C. Selfridge

(pl)

SPHolt/mm
1-14-63
cc: Director's Reading File
Review Committee
Docket

43683

Re: OMB-6168

Apparently Fills thinks contract specifications and cost estimates can be changed informally.

Amendment of contract is required.

Talbert
1/9/63

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E
RECEIVED JAN 8 1963

DATE		
January 4, 1963		800
		720
	Grumsed	500
	Hall	500

Mr. Charles E. Ogle
Attorney at Law
770 5th Street
Morro Bay, California

Re: OME-6168 (Mercury)
Selby and Dawson
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Dear Mr. Ogle:

This is to confirm the agreement made in our telephone conversation of December 31, 1962, that it would cost less to repair the present access road than to build the proposed mine road as shown in Figure 1 of the contract.

It is my understanding that you have approval from the owners to use the present access road. If possible, please submit a signed statement of approval from these people.

Sincerely yours,

Paul V. Fillo
Acting Field Officer
OME, Region II

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

January 4, 1963

Mr. James S. Thwaites
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Selby and Dawson
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Dear Mr. Thwaites:

In reply to your letter of December 17, 1962, please proceed with the drilling program as specified in the contract.

Sincerely yours,

Paul V. Fillo
Acting Field Officer
OME, Region II

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

OFFICIAL FILE COPY
O. M. E
RECEIVED JAN 8 1963

DATE		
1/9		800
		120
		500
1/9		~~570~~

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
RECEIVED
DATE

January 2, 1963

1/8 Ward 800
Grounds 500
1/9 Holt 500
63

Mr. Charles E. Ogle
Attorney at Law
770 5th Street
Morro Bay, California

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Dear Mr. Ogle:

Enclosed are copies of MME Form 60, Operator's Monthly Voucher, and MME Form 61, Operator's Progress Report, which you requested in our telephone conversation of December 31.

These are to be submitted at the end of each month, with a narrative report of the work accomplished during the month. Please prepare five copies of each, and retain one for your files, submitting four (including the original) to this office.

Sincerely yours,

Paul V. Fillo
Acting Field Officer
OME, Region II

Enclosures 20

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 31 1962

DATE	INITIALS	CODE
1/3	[illegible]	800
		120
1/3	S.P.H	500

December 27, 1962

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Enclosed is a copy of a letter from the subject operator and five copies of an assignment for the Director's signature.

N.G.?

Paul V. Fillo

Paul V. Fillo

Enclosures

RECEIVED
JAN 7 1963
ASSOC. SOLICITOR
MINERAL RESOURCES

CHARLES E. OGLE
ATTORNEY AT LAW
770 5TH STREET
MORRO BAY, CALIFORNIA
TELEPHONE SPRUCE 2-7353

DEC 1962
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

December 19, 1962

Mr. Paul V. Fillo, Acting Field Officer
OME, Region II
United States Department of the Interior
555 Battery Street
San Francisco 11, California

Re: OME-6168 (Mercury)
Jack Selby & William J. Dawson
Keystone Mine
San Luis Obispo County, Calif.
Contract No. 2157

Messrs. Selby and Dawson wish to assign the above contract to San Simeon Keystone, Inc., a California corporation formed for the purpose of conducting the drilling operations, etc. Enclosed is original and five copies of an assignment. Will you please return one executed copy to me.

It is hoped that drilling will be started within another week or two or shortly after the first of the year. This depends on the rain situation. I will telephone you sufficiently before starting so that if preliminary inspection is necessary by the Government you will have sufficient notice. We could hold up the drilling if necessary to fit in with your schedules.

Chas. E. Ogle
CHARLES E. OGLE

CEO:P

Enclosures

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
12/27	[illegible]	500
	On leave	800
	Selfridge	130
		110
	On leave	100
		220
12/27	[illegible]	500

DEC 2 7 1962

Mr. James S. Thwaites
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

Dear Mr. Thwaites:

With reference to your December 17 letter to this office, we have referred it to Mr. Paul V. Fillo, Acting Field Officer, Region II, Office of Minerals Exploration, 113 Custom House, 555 Battery Street, San Francisco 11, California.

In the future, please direct such requests for approval of work under the contract, changes in the contract, or similar matters, to him.

Sincerely yours,

(Signed) FRANK E. JOHNSON (gla)

Acting Director

SPHolt/WRGriswold/gla 12-27-62
cc to: Docket
Director's Reading File
Region II (2)

43683

AEC Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
12/26	[illegible]	500
	Release	800
	GCS	130
12/27	Johnson	110
		100
12/27	[illegible]	220
		500

AIRMAIL

DEC 2 7 1962

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OMK-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

Will you kindly take care of the approval requested in the attached December 17 letter from this Operator.

George C. Selfridge (gla)

Enclosure

SPHolt/WRGriswold/ama 12/26/62

cc:
Docket
Director's Reading File
~~Code 500~~ Res. Com.

43683

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER [illegible]

DECEMBER 17, 1962

DIRECTOR
OFFICE OF MINERALS EXPLORATION
U. S. DEPARTMENT OF THE INTERIOR
WASHINGTON 25, D.C.

SUBJECT: OME A165 (MERCURY)
SELBY AND DAWSON
KEYSTONE MINE
SAN LUIS OBISPO, S.L.O.CO., CALIF.

DEAR SIR:

CONTRACTS ARE NOW BEING LET TO PROVIDE DRILLING EARLY IN THE NEW YEAR, OF HOLES AS SPECIFIED AND NUMBERED 1, 8, 13, 14, 25, 32, 33, 35 AND 36 AT THE POSITIONS MARKED ON GRID FOR EXPLORATION ATTACHED TO EXHIBIT-A OF THE CONTRACT, AND TO DEPTHS AS DETAILED IN THE GEOLOGICAL REPORT ORIGINALLY SUBMITTED.

PLEASE CONVEY YOUR FORMAL APPROVAL OF THIS PHASE-I WORK.

VERY TRULY YOURS

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT

JST/JC

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL
RECEIVED
DATE
12/4
12-5

November 26, 1962

Mr. Charles E. Ogle
770 5th Street
Morro Bay, California

Re: OME-6168 (Mercury)
Jack Selby & William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract No. 2157

Dear Mr. Ogle:

Enclosed is a signed copy of the contract from the Office of Minerals Exploration for exploration on the Keystone Mine.

In reference to your letter of November 6, 1962, third paragraph: any standard form of assignment of contract will be acceptable if it contains a clause recognizing the Government's rights under the contract and a clause providing for the Government's consent to the assignment. Please note Article 1 (d) of the contract.

Sincerely yours,

Paul V. Fillo
Acting Field Officer
OME, Region II

Enclosure

P.S. Kindly advise this office what date the operators will start their exploration program.

Chief, Division of Field Operations, Wn., D.C.

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
11/19	Holt	500
	[illegible]	500
11/19	Talbot	800
	Selfridge	130
11/19	Johnson	110
11/19	Firmin	100
		220
		500

NOV 19 1962

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California
Contract 2157

Enclosed are the Operator's and Field Office's copies of the subject contract, signed by the Director for the Government. Also enclosed is the unsigned extra copy for the use of the Field Office.

Please forward the Operator's copy to the Operator's attorney, as requested, retaining the Field Office's copy for your files.

Please inform the Operator's attorney, in reply to the question in his letter of November 6, 1962, copy of which you forwarded with your memorandum of November 9, that any standard form of assignment of contract will be acceptable if it contains a clause recognizing the Government's rights under the contract and a clause providing for the Government's consent to the assignment. His attention should be called to Article 1(d) of the contract.

The assignment of contract form recently sent you in the case of OME-6193, Gold Canyon Mines, Inc. can be used as an example.

George C. Selfridge (glu)

Enclosures
~~XXXXXXXX~~
SPHolt/mm
11-19-62
cc: Director's reading
CA&A Division
Review Committee
Docket

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

November 9, 1962

OFFICIAL FILE COPY
O. M. E
RECEIVED NOV 13 1962

DATE	INITIALS	CODE
		~~500~~
		~~7~~
11-13		100
11		110
11/13		220
	~~Dawson~~	500
11/14	~~Holt~~ SCH	~~500~~

6168

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Enclosed herewith are the Government's, Operator's, Fiscal Section's, Audit's and Field Office's signed copies of the subject contract executed by the operator for the Director's signature.

Also enclosed is a copy of a letter from the applicant's attorney. Please advise concerning third paragraph.

Paul V. Fillo

Paul V. Fillo

Enclosures

Mailed to Fin

CHARLES E. OGLE
ATTORNEY AT LAW
770 5TH STREET
MORRO BAY, CALIFORNIA
TELEPHONE SPRUCE 8-7353

November 6, 1962

Mr. Paul V. Fillo
Acting Field Officer
United States Department of Interior
OME, Region II
420 Custom House
555 Battery Street
San Francisco 11, California

NOV 1962

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine, San Luis Obispo County
California

Mr. James S. Thwaites of Arroyo Grande sent me a photo copy of your letter to him of October 29th together with the original and four copies of the contract. I am the attorney for Mr. Selby and Mr. Dawson.

The original and four copies of the contract are returned with this letter and have been signed by the partners. I will appreciate your sending their copy to me after it has been properly executed in Washington.

Mr. Selby and Mr. Dawson have been considering incorporation with an assignment of their lease and also the contract to a corporation formed by them - perhaps bringing others into the company. I can see no prohibition in the contract but before considering it further we would appreciate your advice or comment. Does the government have any special forms or procedures in this regard as to assigning the contract, etc?

See art 1(d)

CHARLES E. OGLE

CEO:P

cc: James S. Thwaites

OFFICIAL FILE COPY
O. M. E.
RECEIVED NOV 9 1962

DATE	INITIALS	CODE
11-5	[illegible]	100
		~~120~~
	Unassigned	500
11/9	[illegible]	~~500~~
	6168	

XDXXXXXXB162K SW100-WWAF FSFF 142 I-BOM

SAN FRANCISCO CALIF 11-8-62 1605U

MR. GEORGE FUMICH JR DIRECTOR OFFICE OF MINERALS EXPLORATION

DEPT OF THE INTERIOR WASHINGTON DC

RECEIVED SIGNED CONTRACT FROM JACK SELBY AND WILLIAM J. DAWSON,

P.O. BOX 993, MORRO BAY, CALIFORNIA

PAUL V. FILLO ACTG FIELD OFFICER OME REGION II

993

S 1607U

NOTE: THIS IS THE CONTRACT THAT IS OUT WITHOUT THE SIGNATURE OF THE DIRECTOR.

6168

Catherine C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E.
RECEIVED NOV 2 1962

DATE	INITIALS	CODE
	Gerald	500
11/5	Holt	300
	6168	

October 29, 1962

Mr. James S. Thwaites
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (mercury)
Jack Selby and William Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

Enclosed are the original and four copies of a contract for Keystone mine project. The contract consists of MME Form 50, Annex I (one page), Exhibit A (five pages), Exhibit B and two maps. Also, attached to the Government's copy of the contract is the original form 25 and two copies of Form 28. A carbon copy of the Form 25 is attached to each of the contract copies.

If the proposed contract meets with your approval, please sign and return all copies to this office. The contract documents will then be forwarded to our Washington office for the signature of the OME Director.

The documents should be given a date that will be acceptable to you for the beginning of the work.

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

We are enclosing a supply of the monthly report (Forms 60 and 61) and the geological report by Gerhard E. Eberhardt.

Sincerely yours,

Paul V. Fillo
Acting Field Officer
OME, Region II

Enclosures
cc:
Chief, Division of Field Operations, Washington, D. C.

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
10/24	Holt	500
	Bimm	500
10/24	Talbitt	800
10/24	[illegible]	130
"	Johnson	110
10/24	Jenny	100
10/25	Coe	220
		500

REGISTERED MAIL
~~XXRETURN RECEIPT REQUESTEDXX~~

OCT 2 5 1962

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Enclosed are copies of letter of October 15, 1962, from James S. Thwaites, with its attachments, including original and four copies of executed Form 25, Performance Bond, and one original copy of each of two Form 28's, Affidavit of Individual Surety, and one copy of confirmation of lease by the owner of the land of the subject application.

Please attach the originals of the Form 25 and the two Form 28's to the Government's copy of the contract, and one carbon copy of the Form 25 to each of the other contract copies. Thereafter, if it meets with your approval, present the proposed contract to the Applicant for signature, returning all copies, if and when signed, to this office for the signature of the Director for the Government, as outlined in our memorandum of April 19, 1962. Also, as noted in the same memorandum, inform us what date for starting the work, agreeable to you and the Operator, should be inserted here.

Please send the Operator, as requested in the last paragraph of Mr. Thwaite's letter, a supply of monthly report forms and, when it has served its purpose, your copy of the geological report by Gerhard K. Eberhardt. We have here only the docket copy of that report.

George C. Selfridge (gfa)

cc: Director's reading file
Review Committee
Docket
SPHolt/mm
10-24-62

43683

DMEA FORM 6 REFERENCE SLIP OME-6168

REV. 12-56 DEFENSE MINERALS EXPLORATION ADMINISTRATION

TO:	INITIALS	DATE
1. ~~Associate Solicitor, Room 6042~~		
2. S. P. Holt, Room 4451		
3.		
4.		
5.		
FROM: W. R. Griswold		10/24

RECEIVED OCT 24 1962 ASSOC. SOLICITOR MINERAL RESOURCES

FOR: Check items for action desired

____ Action ____ Reply for signature of _____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions ____ Your information

REMARKS:

Please advise if the attached Performance Bond and Affidavit of Individual Surety are adequate.

10-24-62 no legal objections - R. H. Williams

SOLICITOR R

INTERIOR DEPT.

INT.-DUP. SEC., WASH., D.C. M25803

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1003 GRAND AVENUE, SAN LUIS OBISPO, CALIF.
NUMBER 3-4744 - RESIDENCE NUMBER 3-7503

OCTOBER 15, 1962

DIRECTOR
OFFICE OF MINERALS EXPLORATION
U.S. DEPARTMENT OF THE INTERIOR
WASHINGTON 25, D.C.

AIR MAIL
CERTIFIED

DEAR SIR:

RE OME 6168 (MERCURY)
JACK SELBY AND WILLIAM J. DAWSON
KEYSTONE MINE
SAN LUIS OBISPO COUNTY, CALIF.

I AM INSTRUCTED TO THANK YOU AGAIN FOR YOUR ADVICE OF AUGUST 21, 1962, AND TO ENCLOSE THE FRUITS OF EXTENSIVE NEGOTIATION:

1. CONFIRMATION BY LANDOWNER OF MINING LEASE RENEWAL FOR FIVE YEARS FROM JUNE 1, 1962, WITH FURTHER FIVE YEAR OPTION IN SAID ORIGINAL LEASE.

2. EXECUTED INDIVIDUAL SURETY FORMS 28, BY:-
   CHARLES E. OGLE — NET WORTH $ 547,000.00
   OLIVER LUCAS — NET WORTH $ 49,700.00

3. EXECUTED BOND FORMS 25, IN PENAL SUM OF $ 26,365.00 (FIVE COPIES)

I LOOK FORWARD TO RECEIVING THE CONTRACT - OME 6168 - FOR EXECUTION BY MY CLIENTS AT YOUR EARLIEST CONVENIENCE SO THAT ADVANTAGE MAY BE TAKEN OF THE DRY WEATHER IMMEDIATELY AHEAD.

I ALSO ASK FOR A SUPPLY OF MONTHLY REPORT FORMS, AND WOULD APPRECIATE THE RETURN OF AT LEAST ONE COPY OF THE GEOLOGICAL REPORTS ORIGINALLY SUBMITTED.

VERY TRULY YOURS,

JAMES S. THWAITES

ENCLOSURES:

SOLICITOR
OCT 24 1962
INTERIOR DEPT.

RECEIVED
OCT 24 1962
ASSIST. SOLICITOR
MINERAL RESOURCES

OFFICIAL FILE COPY
O. M. E.
RECEIVED OCT 19 1962

DATE	INITIALS	CODE
10/22	J.Hoch S.T.H.	500

PHELAN LAND & CATTLE COMPANY

Cambria, California
Mailing Address: P.O.Box 317, San Luis Obispo

May 29, 1962

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Dear Jim:

Replying to your inquiry of May 27, 1962, please be advised that Messrs. Dawson and Selby have exercised their option to renew their lease for a period of five years from June 1st, 1962.

With kindest personal regards, I am

Very truly yours,

Ernest Vollmer, Jr., President
Phelan Land & Cattle Company

EV:za

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E
RECEIVED OCT 5 1962

DATE	INITIALS	CODE
10/5	ama	800
		720
	Kiesewald	500
10/8	Hart S.T.H	200

October 1, 1962

Mr. James S. Thwaites
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby and William Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

In complying with your letter of September 6, 1962, we are enclosing six copies of Individual Surety Form 28. We are sorry for the delay.

Sincerely yours,

Paul V. Fillo

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OFFICIAL FILE COPY
O. M. E.
RECEIVED OCT 1 1962

DATE		
10/1	Jme	800
10/3	~~Received~~	500
10/4	~~Hoff~~ SMH	400

September 24, 1962

Mr. James S. Thwaites
1015 Grand Avenue
Arroyo Grande, California

Re: OME - 6168 (Mercury)
Jack Selby and William Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

In response to your letter of September 6, 1962, we are enclosing eight copies of the Performance Bond form. This office is completely out of Individual Surety Form 28, but we will see that you will get six copies.

My delay in answering your letter is due to being away from the office the past 10 days.

It is good news that you are making progress toward your objective.

Sincerely yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer, OME

cc:
Chief, Division of Field Operations, Washington, D.C.

OFFICIAL FILE COPY

Date	Surname	Code
9/11	Holt	500
	Arnold	500
9/11	on leave	120
		110
9/11	on leave	100
9/11	Cal	220
		500

SEP 11 1962

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

Replying to the inquiry in your letter of September 2, 1962, the sum of a third-party guaranty should be the same as the Government's contribution under the proposed contract for the subject project, viz., $26,365.00.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

SPHolt/gla
9-11-62
cc to: Director's Reading File
Region II (2) w/2 cys Mr. Thwaites' letter
Docket

43683

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
NUMBER 0-0744 • TELEPHONE NUMBER 8-7363

OFFICIAL FILE COPY O. M. E. RECEIVED SEP 10 1962		
DATE	INITIALS	CODE
9/10	Gruenwald	500
9/11	Hoff S.P.H.	500

SEPTEMBER 2, 1962

DIRECTOR
UNITED STATES DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
WASHINGTON 25, D.C.

SUBJECT: OME-6168 (MERCURY?)
JACK SELBY AND WILLIAM J. DAWSON
KEYSTONE MINE
SAN LUIS OBISPO CO., CALIF.

DEAR SIR:

MY CLIENTS MUCH APPRECIATE YOUR LETTER OF AUGUST 21 AND THE MOST VALUABLE SUGGESTION OF A THIRD PARTY GUARANTY.

THE PROBLEM IN THIS AREA WITH BONDING COMPANIES IS THAT THIS EXPLORATION CONTRACT IS RANKED BY THEM AS A CONSTRUCTION PROJECT WITH THE ATTENDANT HAZARDS OF FINANCIAL FAILURE NOT UNCOMMON AMONG BUILDING CONTRACTORS. NO ALLOWANCE IS MADE FOR THE DISTINCTION THAT THE EXPLORATION CONTRACT COVERS LOANS OF PHASE 1 - $10,382.50 AND PHASE 11 - $15,982.50 - TOTAL $26,365.00, REPAYABLE ONLY FROM PRODUCTION.

NATURALLY MY CLIENTS HAVE STARTED IMMEDIATELY TO FIND A SUFFICIENT THIRD-PARTY GUARANTY AND HAVE GOOD HOPE OF PRODUCING ONE SHORTLY.

MEANWHILE PERHAPS I COULD HAVE YOUR ADVICE ON WHICH SUM IS THE REQUIRED GUARANTY - THE TOTAL POSSIBLE GOVERNMENT LOAN OR THE TOTAL CONTRACT PRICE.

AGAIN, WITH MY CLIENTS EXPRESSION OF APPRECIATION.

VERY TRULY YOURS

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT

JST/JC

2 copies to Region II

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
8/21	Holt	500
	Maxwell	500
8/21	Talbert	800
	On leave	120
8/21	Johnson	110
8/21	Fumich	100
8/21	CAC	220
		500

AUG 21 1962

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Re: GME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

We have your August 13 letter and we are astounded by your statement that your client must put up $20,000 cash to obtain a performance bond. This seems so unreasonable and illogical. During the life of the Defense Minerals Exploration Administration and the Office of Minerals Exploration there have been many scores of instances in which bonds were required and it has always been a relatively simple matter of paying a small fee to the bonding company--nothing beyond that.

Perhaps another bonding company would not be so unfair. We must also point out that in certain instances we have accepted a third-party guaranty in lieu of a performance bond. Two blank forms of such "Affidavit of Individual Surety" are enclosed. If a responsible third party would be willing to execute this form, we could very likely accept it.

Sincerely yours,

George Fumich, Jr.

Director

Enclosures

WRGriswold/gla
8-21-62
cc to: Director's Reading File
Region II (2) w/2 cys Mr. Thwaites' letr. 8/13/62
Docket

P. S. If the individual surety forms are used, they should be attached to the bond form previously sent you. (See instructions on reverse side of both forms.)

43683

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

August 13,1962

OFFICIAL FILE COPY
O. M. E
RECEIVED AUG 20 1962

DATE	INITIALS	
8/20	Brewster	5 00
8/21	~~Hoff~~ S.T.H	5 00 ✓

The Director
Office of Minerals Exploration
U.S.Dept. of the Interior
Office of Minerals Exploration
Washington 25, D.C.

Subject: O.M.E.-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo, Calif.

Dear Sir:

I am instructed to thank you for your letter of July 6 1962, and to advise you that my clients are seeking to satisfy the bonding company's requirements. This includes putting up $20,000.00 cash, and negotiations to to achieve this rather difficult task are being pushed as rapidly as possible.

very truly yours

JAMES S. THWAITES
Certified Public Accountant

jst/jc

If they can acquire $20,000 for deposit as surety, I have doubts as to their financial stability. Selby 8/21/62

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
8/6	Holt	500
	Dawson	500
8/7	Osborne	120
8/7	Johnson	110
8-8	Fumich	100
8/8	cal	220
		500

AUG 8 1962

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

Please inform us regarding your client's reaction to our letter of July 6, 1962, and when we may expect a reply to same.

Sincerely yours,

George Fumich, Jr.

Director

SPHolt/gla
8-7-62
cc to: Director's Reading File
Region II (2)
Docket

43683

Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
7/6	Holt	500
	Myers	500
7/6	Talbot	800
7/6	Onlesse	120
"	Johnson	110
7/6	Cae	220
		500

JUL 6 1962

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby & William J. Dawson
Keystone Mine
San Luis Obispo County, Calif.

Dear Mr. Thwaites:

Replying to your letter of June 19, 1962, with which you returned our office copy of the proposed contract, and suggested changes desired by the applicant:

1. Exhibit A of the proposed contract contains the statement that all of Stage I work shall be done as outlined. However, under Article 9(a) of the contract, if operations have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and so terminate the work under contract. Also, the contract work may be terminated by an agreement, if requested by the Operator and recommended by the Field Officer.

2. We cannot agree to any plan to drill holes at 20-foot intervals around hole No. 1, as such work would be considered development drilling for the purpose of blocking out ore. The law and regulations governing the minerals exploration program limit the Government's contribution to exploration such as may be expected to disclose new or unexplored ore bodies.

3. The prices set forth in Exhibit A, Estimated Cost of the Project, under Stage I, Category (1), are the maximum average unit costs to which the Government may contribute, and vouchers requesting payment of the Government's share of the cost actually incurred each month must be supported by invoices from the contractor. Any amounts paid, or agreed to be paid, to the contractor in excess of those authorized by the contract will be for the sole account of the Operator.

43683

4. The incidental allowance of $0.84 per foot of drilling under Stage I was computed to allow what we considered adequate compensation for supervision of drilling, sampling, and bulldozing, all of which work we estimated could be accomplished within a period of three months, thus allowing $700.00 per month for supervision, including engineering and technical services.

5. The 142 feet of coring at depths below 300 feet is an estimate, not a maximum. Unless the footage drilled below 300-foot depths greatly exceeds the estimate, no amendment of the contract will be required.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

SPHolt/bih
7/5/62

cc to: Docket
Dir. reading file
Region II (2) with cys incoming ltr.
CA & A Division
Code 500

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUN 25 1962

DATE	INITIALS	CODE
		500

JUNE 19, 1962

CERTIFIED

THE DIRECTOR
OFFICE OF MINERALS EXPLORATION
WASHINGTON, D.C.

SUBJECT: O.M.E. 6168 (MERCURY)
JACK SELBY AND WILLIAM J. DAWSON
KEYSTONE MINE.

DEAR SIR:

I RETURN HEREWITH, WITH THANKS FOR YOUR CO-OPERATION, YOUR OFFICE COPY OF THE PROPOSED CONTRACT.

THE LAND LEASE HAS BEEN RENEWED AND FIREMAN'S FUND ARE APPROACHING MR. FILLO TO PROCESS THE PERFORMANCE BOND AS SOON AS POSSIBLE.

MEANWHILE, MY CLIENTS WOULD APPRECIATE YOUR ADVICE ON SOME POINTS.

1. THEY WOULD LIKE YOUR AGREEMENT TO ABANDON THE PROJECT UNDER ARTICLE 9, IF HOLE #1 - STAGE 14 FAILS TO SHOW ORE BETWEEN THE 200-FT. AND 350-FT. LEVELS.

2. IF HOLE #1 IS SUCCESSFUL, MY CLIENTS WOULD LIKE YOUR AGREEMENT TO THEIR CHANGING THE LOCATION OF SUBSEQUENT DRILL HOLES TO A REGULAR BLOCK PATTERN AROUND #1 AT 20-FT. INTERVALS INSTEAD OF THE 100-FT. INTERVALS PROPOSED IN EXHIBIT-A, AND THUS PRESERVE THE FLEXIBILITY OF THIS EXPLORATION.

3. THEY ASK ME TO POINT OUT THAT BECAUSE OF THE LAPSE OF TIME SINCE THE ORIGINAL APPLICATION WAS COMPOSED, THEY WILL BE OBLIGED TO PROCURE NEW INDEPENDANT CONTRACTORS, PROBABLY FROM OTHER AREAS, TO PERFORM STAGE-1 CATEGORY-1.
THIS PHASE IS DESCRIBED IN EXHIBIT-A AS "ACTUAL COSTS" INSTEAD OF FIXED UNIT COSTS.
I AM THEREFORE INSTRUCTED TO INQUIRE IF ACTUAL COSTS MAY INCLUDE WORK PROPERLY PERFORMED BY INDEPENDANT CONTRACTORS FOR A CONTINGENT LIABILITY, THAT IS FOR A DEFINITE SUM RATABLY EARNED BUT PAYABLE ONLY FROM THE PROCEEDS OF PRODUCTION.
THIS WOULD PLACE THE INDEPENDANT CONTRACTORS ON THE SAME FOOTING AS THE GOVERNMENT, THOUGH RANKING AFTER YOURSELVES.

4. SURELY ON AN ACTUAL COST BASIS PROPER ALLOWANCE SHOULD BE MADE FOR MY CLIENTS OWN TIME AND LABOR. CAN THE 0.84 UNIT COST PER FOOT BE RAISED TO $1.68 PER FT.

THE DIRECTOR
OFFICE OF MINERALS EXPLORATION
WASHINGTON D.C.

JUNE 19, 1962.

5. THEY ASSUME, IN VIEW OF THE PREDOMINANT LEVEL OF THE EXPECTED ORE UNDER HOLES 14, 25, 35, AND 36 BEING BELOW 300-FT., THAT CORING BELOW 300-FT. WILL RANK AS CORING ABOVE 300-FT. AFTER THE MAXIMUM OF 142-FT. CORING BELOW 300-FT. IS USED UP.

I LOOK FORWARD TO YOUR ADVICE.

VERY TRULY YOURS

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT

JST/JC

ENCL

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

MAY 3 1 1962

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

For the purpose of expediting action, we enclose, for inspection by the bonding company, one copy of the proposed contract for exploration of the subject property. Since this is our file copy, please return it to this office when it has served your purpose.

As Mr. Fillo stated in his letter of May 1, 1962, and reminded you on May 25, the proposed contract cannot be forwarded to you for signature by the Applicants until a renewal of the land lease and the performance bond are received by him.

Therefore, your prompt action in securing and forwarding these documents will be appreciated.

Sincerely yours,

Director

Enclosure

MUCH APPRECIATE YOUR CO-OPERATION AND PRACTICAL GOOD SENSE OVER THIS PROBLEM.

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
5/29	[illegible]	500
	Maxwell	500
5/31	Selfridge	120
"	on lead	110
5/31	[illegible]	100
		220
		500

MAY 3 1 1962

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

For the purpose of expediting action, we enclose, for inspection by the bonding company, one copy of the proposed contract for exploration of the subject property. Since this is our file copy, please return it to this office when it has served your purpose.

As Mr. Fillo stated in his letter of May 1, 1962, and reminded you on May 25, the proposed contract cannot be forwarded to you for signature by the Applicants until a renewal of the land lease and the performance bond are received by him.

Therefore, your prompt action in securing and forwarding these documents will be appreciated.

Sincerely yours,

George Fumich, Jr.

(PL)

Director

Enclosure

SPHolt/gla
5-29-62
cc to: Director's Reading File
Region II (2)
Docket

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

May 29, 1962

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 31 1962

DATE	INITIALS	CODE
5/31	Hoet	500
6/1	S.P.H	

AIR MAIL

Memorandum

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

From: Acting Field Officer, OME, Region III

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Enclosed is a copy of a letter from the subject company requesting a copy of the proposed contract to accompany their Performance Bond prior to furnishing us with the Performance Bond. Please advise if this is permissible.

Paul V. Fillo

Paul V. Fillo

Enclosure

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUN 4 1962

DATE		
6/4	May 29, 1962	500
6/15	S.P.H.	500

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby & William J. Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

Pursuant to your letter of May 27, 1962, regarding the subject application, a copy was forwarded air mail to OME in Washington, D. C. You will be notified immediately when we have received further instructions from Washington.

Very truly yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer, OME
Region II

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

extra copy to Thwaites 5/31/62
(contract)

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1019 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7263

MAY 27, 1962

MAY 1962
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

OME - 6168 MERCURY
JACK GELDY & WILLIAM BARDEN
KEYSTONE MINE, SLO CO., CALIF.

MR. PAUL V. FILLO
ACTING FIELD OFFICER, OME, REG. II
U.S. DEPT OF THE INTERIOR.
555 BATTERY STREET
SAN FRANCISCO, CALIF.

DEAR MR. FILLO:

WHAT YOU REQUIRE IS IMPOSSIBLE.

IT IS UNREASONABLE AND UNREALISTIC TO EXPECT INSURERS TO ISSUE A BOND INSURING PERFORMANCE WITHOUT DETAILED KNOWLEDGE OF THE PERFORMANCE TO BE BONDED.

A COPY OF THE CONTRACT MUST ACCOMPANY THE INSURANCE APPLICATION FOR A PERFORMANCE BOND AND YOU WILL NOT PROVIDE A COPY OF THE CONTRACT UNTIL YOU ARE FURNISHED WITH A PERFORMANCE BOND, FOR WHICH A COPY OF THE CONTRACT IS A PREREQUISITE.

SO WHERE DO WE GO FROM THERE?

VERY TRULY YOURS

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT

JST/JC

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

May 25, 1962

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 29 1962
DATE | INITIALS | CODE
5/29 | Greenwald Haet | 500

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

We are enclosing a copy of a letter from the subject applicant dated May 15, 1962, and a copy of my reply.

Paul V. Fillo

Paul V. Fillo

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

May 25, 1962

Mr. James. S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

With reference to your letter of May 15, 1962, I regret to report I am not authorized to forward your proposed OME contract to you until you have complied with my letter of May 1, 1962.

Very truly yours,

Paul W. Fillo
Acting Field Officer, OME
Region II

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

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1018 GRAND AVENUE ○ ARROYO GRANDE, CALIF.
HUNTER 9-4744 ○ RESIDENCE: HUNTER 9-7903

MAY 1962
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION 11

MAY 15, 1962

MR. PAUL V. FILLO
ACTING FIELD OFFICER, O.M.E.
REGION 11, U.S. DEPT. OF THE INT.
555 BATTERY
SAN FRANCISCO 11, CALIF.

SUBJECT: O. M. E. 6168 (MERCURY)
JACK BELFY AND WILLIAM J. DAWSON
KEYSTONE MINE, SAN LUIS OBISPO, CALIF.

DEAR MR. FILLO:

I NOW SEE WHY YOU NEED A SPECIFIC RENEWAL OF THE LAND LEASE AND THIS IS BEING ARRANGED.

WOULD IT BE POSSIBLE TO HAVE TWO COPIES OF THE PROPOSED CONTRACT FOR SUBMISSION TO THE INSURERS SO THAT THE PERFORMANCE BOND CAN BE SET UP. THE INSURERS REQUEST THIS TO DETERMINE THEIR GRANTING OF THE BOND.

SINCERELY

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT

JST/JC

OFFICIAL FILE COPY

Date	Surname	Code
5/16	Griswold	500
		500
		800
5/16	GCS	130
"	Johnson	110
		~~220~~
		~~500~~
5/17	Fennell	100
5/17	cac	220

MAY 17 1962

AIRMAIL

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

With reference to your May 8 memorandum forwarding Mr. Thwaites' letter of May 2, the procedure he outlines will be satisfactory. The written "expression of intent," in accordance with the terms of the mining lease, and written "confirmation of renewal by the landowner" should be in your hands, plus, of course, the Performance Bond, prior to presentation of the contract for signature.

George C. Selfridge

(SWB)

SPHolt/WRGriswold/gla 5-16-62
Rewritten: FEJohnson/gla 5-16-62
cc to: Director's Reading File
Review Committee
Docket

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 14 1962

5/14 Brownell 500
5/14 Hart 300
Holt

May 8, 1962

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo, California

With reference to your memorandum of April 19, 1962, the enclosed copy of a letter from the subject applicant states the present mining lease contains an option to renew in favor of his clients. Please advise if this is satisfactory. If not, I should let them know that they will have to obtain their option to renew the mining agreement in writing.

Paul V. Fillo

Paul V. Fillo

Enclosure

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1013 GRAND AVENUE o ARROYO GRANDE, CALIF.
HUNTER 9-4744 o RESIDENCE: HUNTER 9-7363

MAY 2, 1962

MAY 1962
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

MR. PAUL V. FILLO
ACTING FIELD OFFICER, O.M.E.
REGION II
UNITED STATES DEPARTMENT OF THE INTERIOR
555 BATTERY STREET
SAN FRANCISCO, 11, CALIF.

SUBJECT: O.M.E. 6168 (MERCURY)
JACK SELBY & WILLIAM J. DAWSON
KEYSTONE MINE
SAN LUIS OBISPO, CALIF.

DEAR MR. FILLO:

THANK YOU FOR YOUR GOOD NEWS OF MAY 1, 1962.

I AM PREPARING BOND APPLICATIONS. MEANWHILE, YOU WILL SEE THE PRESENT MINING LEASE CONTAINS AN OPTION TO RENEW IN FAVOR OF MY CLIENTS. I ASSUME AN EXPRESSION OF INTENTION TO RENEW BY MY CLIENTS AND CONFIRMATION BY THE LANDOWNER THAT HE WILL ABIDE BY HIS LEASE IN THIS RESPECT WILL BE SUFFICIENT.

SINCERELY

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT

JST/JC

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E.
MAY 7 1962

May 1, 1962

5/7 Received 500
5/8 Hoffman 500
5/14

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

The Office of Minerals Exploration has prepared a contract for the Keystone mine project. Prior to reviewing and signing the contract, we will need a Performance Bond for the amount of $26,365.00 and also a Mining Lease Agreement, the intention to exercise the option to renew the mining agreement, from the landowners.

Enclosed are five copies of Performance Bond forms to be completed. Please return the above information to this office.

Your earliest reply will be appreciated.

Very truly yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer, OME
Region II

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

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
4/19	Holt	500
	Hurwood	500
4/19	Talbitt	800
4/19	[illegible]	130
"	Johnson	110
4/19	Furnell	100
4/19	Cole	220
		500

APR 19 1962

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Enclosed are the original and four copies of a proposed contract for the Keystone mine project. The contract consists of MME Form 50, Annex I (one page), Exhibit A (five pages), Exhibit B, and two maps. The contract is dated, but no copies have been signed by the Director.

If the proposed contract meets with your approval, please advise the Applicants the amount ($26,365.00) of the Performance Bond it will be necessary for them to secure; also that we will need to have copies of the notice to the landowners, in writing (due on or before March 31, 1962), of their intention to exercise their option to renew the mining agreement.

When the Performance Bond and notice of intention to renew the mining agreement are presented to you and meet with your approval, please present it to the Applicants for signature. Otherwise, if any changes lie beyond your delegated authority, please return all copies, unsigned, with your comments.

When the contract is signed by the Applicants, please return all copies to this office for the insertion of the starting date (one agreeable to you and the Applicants). The contract will then be signed by the Director for the Government and the Operator's and Field Office's copies returned to you.

George C. Selfridge

Enclosures
SPHolt/gla 4-18-62
Rewritten: SPHolt 4-19-62
cc to: Director's Reading File
Review Committee
Docket

43683

Re: OME-6168

Transmittal Memo

3rd. par. 2nd line, "it" should be "the contract".

If contract is to be dated before sending to field, why shouldn't interest rate be inserted? should be.

Exh. A

Page 3, 3rd item, does transportation apply to both dozers; if not, which one? should

Page 4, 2nd item, includes in job price the dam construction which is performed by Bulldozer ???

Page 4, 5th item, includes estimate for 10 samples, but page 2, last line limits contribution to 100 samples. correct

Page 5, Stage II Total omitted.

Talbut
4/18/62

P.S.: also, no specifications in re drift/crosscut sampling are given.

NOTE

1 - Date contract

2 - Insert interest rate

3 - Do not sign contract until returned from field

4 - Do not number

Mr. Selfridge -

Please take a look at the new language in Art 16. It seems to meet all the new requirements re E.O. 10925 & the Pst S Memo. If OK, we will use it from now on. Should N.O. Wood see it.

The lease from Phelan Land & Cattle Co. expires 6/1/62, unless renewed per Art XIX of the lease, which requires that notice of renewal must have been given between 2/1/62 and 4/1/62. Be sure of the renewal before signing the contract

Cw Sollen 4/11/62

MME FORM 6 REFERENCE SLIP

REV. 2-59 OFFICE OF MINERAL EXPLORATION

TO:	DATE	INITIALS
1. ~~Mr. Talbert~~		
2. Mr. Selfridge		
3. ~~Mr. Holt~~ ~~Mr. Griswold~~		
4. ~~Asso. Solicitor, Rm. 6042~~		
5. ~~Mr. Holt, Rm. 4455~~	4/13	S.P.H.
FROM: W. R. Griswold	3/30	

FOR: Check items for action desired

____ Action	____ Reply for signature of ____	
x Approval	____ Investigate	____ Surname
____ Comment	____ Recommendations	____ Signature
____ Conference	____ Rewrite	____ File
____ Instructions	✓ Your information	

REMARKS:

See Mining Act and pages 4 of Summary attached to application

SOLICITOR

APR 3 1962

(OVER)

INTERIOR DEPT.

INT.-DUP. SEC., WASH., D.C. M50943

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 3 1962

March 28, 1962

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Keystone Mine
San Luis Obispo County, California

We are enclosing a copy of a letter from the subject company, with a copy of my reply.

Paul V. Fillo

Paul V. Fillo

Enclosures 2

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

March 28, 1962

Mr. James S. Thwaites
Certified Public Accountant
1015 Grand Avenue
Arroyo Grande, California

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Thwaites:

We have your letter of March 25, 1962, in reference to the subject property.

We can appreciate the impatience of your clients in getting an approved revision of cost estimates, but our hands are tied in this matter as we have no authority to revise estimates on a percentage basis.

We are anxious to assist you in any capacity we can, and would suggest you come into our office so that we can review the cost estimates and try to work out a solution that will be practical and satisfactory.

Please refer to my letter of March 13, 1962, as it is most important that you submit the information requested, i.e. contract bids.

Since I will be away from the office the week of April 2-6, 1962, please advise us when it will be convenient for you to visit our office after the above date.

Very truly yours,

PAUL V. FILLO

Paul V. Fillo
Acting Field Officer, OME
Region II

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

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-4744 • RESIDENCE: HUNTER 9-7363

MAR 1962
BUREAU OF MINES
OFFICE OF
MINERALS EXPLORATION
REGION II

March 25, 1962

Mr. Paul V. Fillo
Acting Field Officer
OME Region II
Office of Minerals Exploration
U. S. Department of the Interior
555 Battery Street
San Francisco 11, Calif.

Subject: OME -6168 (Mercury)
KEYSTONE MINE
SAN LUIS OBISPO CO.

Dear Mr. Fillo:

It occurs to me this matter could be expedited if your Washington office were to offer my clients a contract based on 60% - 75% - 80% or whatever other percentage of the re-revised estimate you may consider a reasonable figure.

Again, I am asked to stress the need for quick action on this property and look forward to your help.

Very truly yours

James S. Thwaites
Certified Public Accountant

JCT/jc

DRAFT 3/30/62
SPHolt/gla

MME Form 50
Feb. 1959

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

EXPLORATION CONTRACT
(Long Form)

Docket No.	Commodity	Contract No.	County	State
OME-6168	Mercury	14-23-090-	San Luis Obispo	California

It is agreed _____ (Date), between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and

Jack Selby and William J. Dawson, a partnership

whose mailing address is P. O. Box 993, Morro Bay, California, hereinafter called the "Operator," as follows:

ARTICLE 1. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator shall begin the work on or before _____ (Date), and, subject to the provisions of Article 9 and Exhibit A, shall either have completed the work within 12 months from the date of the contract or shall have incurred allowable costs (see Article 6) in a sum not less than the total cost set forth in Exhibit A.

(b) The total allowable cost of the work set forth in Exhibit A is $52,730.00. The Government will contribute 50 percent of the allowable costs as they are incurred, in a total sum not in excess of $26,365.00 in accordance with the provisions of Articles 3, 4, 5, and 6. "Costs incurred" means costs that have been paid or have become due and payable, or that the Government determines have become obligations.

(c) Interest computation.--Simple interest computed annually at the rate of _____ percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) 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 rights in land.--(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 right 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:

Interest of Lessors

(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 lien agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows:

A Performance Bond is attached in lieu of a Lien or Subordination Agreement of the owner.

(c) The Operator shall preserve and maintain his right, title, or 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 royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 7 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, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws 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) Independent contracts.--To the extent that the allowable costs are estimated in Exhibit A with express reference to performance by independent contractors on a unit-price basis (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations), the work may be so performed (see Article 6(a), Category (1)). Any such independent contract shall refer to some specific and identifiable part of the work, and shall be subject to all of the pertinent terms and conditions of this exploration contract; but the Government shall not be considered a party thereto, and its rights under this contract, including the right to terminate its contributions, shall not be affected thereby. Regardless of the provisions of any such independent contract, the Government will participate in payments to the independent contractor only as to work performed in accordance with the provisions of this exploration contract, and only to the extent that the Government deems the unit prices for the work under the independent contract to be reasonable.

(c) 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 production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--(a) 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. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. 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 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. If work under this contract is carried on in conjunction with any other operations, or if labor, supervision, services, materials, supplies, equipment, facilities, or other requirements for carrying on the work are also used in connection with other operations, the costs shall be segregated and accounted for on a basis and by methods and accounts that are satisfactory to and approved by the Government.

(b) Monthly reports.--The Operator shall provide the Government with five copies of monthly reports in three sections as follows:

(1) Operator's Monthly Voucher claiming costs for work performed;

(2) Operator's Progress Report showing the number of units of the various types of work performed; 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 monthly report). 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 related costs.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's 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 the Government determines that 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 preparation or completion of the same 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. Costs.--(a) Allowable costs.--The allowable costs of the work to which the Government will contribute are limited to:

(1) the necessary, reasonable, and direct actual costs that are estimated in Exhibit A by categories as specified in this article; and

(2) fixed costs for units of work to be performed (per foot, per hour, etc.) agreed upon in lieu of actual costs and set forth in Exhibit A.

The Government will not contribute to costs under any category or subcategory omitted from the estimate of costs in Exhibit A. Any excess over any estimate which is indicated as the maximum of any category, subcategory, or item, either as to requirement or related cost; any excess over a fixed unit cost; and any excess over the total allowable cost of the work are not allowable. The Operator shall incur such excesses for his own account without contribution by the Government, but the Operator is not obligated to incur more than his agreed percentage of the total allowable cost of the work.

Any category or subcategory or element thereof not designated as a maximum in this article or in Exhibit A may be exceeded, provided that the total allowable cost of the work, which is a maximum, is not exceeded.

CATEGORY (1)--INDEPENDENT CONTRACTS.--(See Article 3(b)). The total of this category and the average unit cost estimated for each type of work to be performed under an independent contract are maximums.

CATEGORY (2)--PERSONAL SERVICES.

Subcategory (a)--Supervision and Technical Services--All elements of this subcategory (number of supervisors, technicians, outside consultants, periods of employment, rates of pay, and total) are maximums.

Subcategory (b)--Labor.

CATEGORY (3)--OPERATING MATERIALS AND SUPPLIES.--Includes such items as drill bits and steel, explosives, fuel, pipe, power, timber, rail, and small tools costing less than $50 each.

CATEGORY (4)--OPERATING EQUIPMENT.

Subcategory (a)--Rental.--The number of each rented item [6 mine cars, 1 truck], the rate of rental [$100 per month, $5 per hour], and the total of this subcategory are maximums.

Subcategory (b)--Purchases.--The total of this subcategory is a maximum.

Subcategory (c)--Depreciation.--All elements of this subcategory (time periods, rate of depreciation, and subcategory total) are maximums.

CATEGORY (5)--INITIAL REHABILITATION AND REPAIRS.--Costs of items listed under this category include all requirements, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The total of this category is a maximum.

Subcategory (a)--Initial rehabilitation and repairs of existing buildings, fixtures, and installations (exclusive of mine workings).--The total of this subcategory is a maximum.

Subcategory (b)--Initial rehabilitation and repairs of operating equipment.--The total of this subcategory is a maximum.

CATEGORY (6)--NEW BUILDINGS, FIXTURES, AND INSTALLATIONS (EXCLUSIVE OF MINE WORKINGS).--Costs of items listed under this category include all requirements, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The total of this category is a maximum.

CATEGORY (7)--MISCELLANEOUS.--Includes requirements and costs that do not fall within any of the first six categories, such as repairs other than initial and maintenance of operating equipment, analytical work, prints and other reproductions, accounting, Operator's share of payroll taxes, liability insurance covering employment, travel, and communications.

(b) Nonallowable costs.--The Government will not contribute to the following costs:

(1) Costs of the land, such as rental, depreciation, depletion, or other costs of acquiring, owning, or holding possession;

(2) Indirect costs, such as general overhead, corporate management, interest, taxes (other than payroll and sales taxes), insurance (other than liability insurance covering employment), damages to persons, damages to property (other than necessary repairs or replacements of equipment or other property used in the work);

(3) Previous work performed or costs incurred before the date of this contract; and

(4) Deferred payments.--Any costs incurred by the Operator under any rental-purchase agreement, installment-purchase agreement, or any agreement for the purchase of goods under the provisions of which payment of the full purchase price is deferred more than 90 days from the delivery of the goods, unless the purchase agreement is approved by the Government in writing.

(c) Reductions in costs.--The Operator shall account for and give the Government credit for any incidental benefits, credits, or money received in the ordinary course of business in prosecuting the work (as by salvage or sale of materials or equipment, furnishing of room or board, furnishing of power or services to third persons, rebates or discounts on purchases, etc.), in the same ratio in which the Government contributes to costs; and such amounts shall be treated as a reduction in costs incurred so that they are available for use within the limit of the original total cost. This provision does not apply to receipts from production which are subject to the Government's royalty under the provisions of Article 7.

ARTICLE 7. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract, or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first.

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the ~~Operator's~~ gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, 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 (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable 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. No costs of the Operator are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" 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.

(2) 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.

(d) Unsold production.--If any production (ore, concentrate, 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, concentrate, 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) Lien for payment.--To secure the payment of royalty (see Article 7(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) 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 Government, and this estimate shall be final and binding upon the Operator.

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

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

ARTICLE 8. Interests in purchased property.--(a) Title and ownership.--All costs under this contract shall be incurred by the Operator in the Operator's own name and for the Operator's own account; but any property acquired to the cost of which the Government contributes shall belong to the Operator and the Government jointly in proportion to their respective contributions although title thereto shall be taken in the name of the Operator.

(b) Preservation of property.--Until the final disposal of any property in which the Government has an interest, the Operator shall preserve and protect same for the best interest of the Government, and any reasonable and necessary cost thereof will be treated as an allowable cost of the exploration. After the completion of the work, termination of the Government's obligation to contribute, or when such property is not being used for the work, the Operator shall not use it elsewhere without the written consent of the Government and without paying a reasonable rental to be fixed by the Government for its proportionate interest.

(c) Disposal of property.--Upon the completion of the work, termination of the Government's obligation to contribute to costs, or when the property is no longer needed for the work, the Operator shall promptly dispose of salable or salvageable property in which the Government has an interest for the joint account of the Government and the Operator, either by return to the vendor, sale to others, purchase by the Operator, or sale or transfer to the Government at a price at least as high as could be obtained from others, unless the Government in writing waives its interest in any such property. Without advance approval of the sales price by the Government, the Operator shall not sell at any price any item of property that cost more than $500, and shall not sell at less than 25 percent of the purchase price any item of property that cost $500 or less. The Government, in lieu of approving the sales price for any such item, may itself purchase the item at the best price which the Operator is able to obtain or offers. Property remaining upon any termination of the work shall be considered in groups or categories (such as drill steel, explosives, pipe, or rail), and if the original cost of the remaining unexpended portion of any such group or category is less than $50, the Government waives its interest therein. If necessary to accomplish the disposal of any item, the Operator shall dismantle and sever it from the land, the cost thereof to be treated as a cost of the exploration.

(d) Default of the Operator re disposal.--If within 90 days after the completion of the work, termination of the Government's obligation to contribute to costs, or after the property is no longer needed for the work, the Operator has failed to sell or otherwise liquidate or dispose of any property in which the Government has an interest, the Government, at any time prior to final settlement under the contract, may:

(1) in writing extend the time within which the Operator must dispose of or liquidate the property;

(2) by written notice to the Operator, place upon such property what it determines to be a fair valuation thereof, not in excess of the cost less 1.66 percent per month from the date such property was purchased under this contract to the termination of said 90-day period; and such property shall thereupon be considered and accounted for as having been purchased by the Operator at the valuation so fixed by the Government; and

(3) enter and take possession of such property wherever it may be found, and remove and dispose of it for the joint account of the parties.

ARTICLE 9. Termination of the Government's obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to contribute to costs not then incurred other than such as may be allowable under the provisions of the contract as necessary and incidental to final accounting and reporting; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is 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:

(1) the Government shall be relieved of all obligation to contribute to costs not incurred when the notice was given, other than such as may be allowable by the provisions of the contract as necessary and incidental to final accounting and reporting; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

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 9 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 13.

ARTICLE 10. Notices to be given by the Government may be delivered to the Operator, or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 11. 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.

See Article 16

~~ARTICLE 12. Nondiscrimination.--In connection with the performance of work under this contract, the Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Government setting forth the provisions of the nondiscrimination clause.~~

~~The Operator further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.~~

ARTICLE 13. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, Office of Minerals Exploration, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, Office of Minerals Exploration, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, Office of Minerals Exploration, a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, Office of Minerals Exploration," as used herein includes his duly authorized representative.

ARTICLE 14. Eight-Hour Law of 1912--Overtime compensation.--This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912, as amended (40 U. S. Code 324—326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35—45), is subject to the following provisions and exceptions of said Eight-Hour Law of 1912, as amended, and to all other provisions and exceptions of said Law:

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Operator or any independent contractor contracting for any part of said work contemplated, shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every laborer and mechanic employed by the Operator or any independent contractor engaged in the performance of this contract shall be computed on a basic day rate of eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed for each laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause, and all penalties thus imposed shall be withheld for the use and benefit of the Government.

ARTICLE 15. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 16. Changes and added provisions.--

The provisions of Section 301 of Executive Order No. 10925 of March 6, 1961, required to be included in every Government contract are by reference hereby and herein incorporated and made part of this contract. A copy of said Executive Order is attached to this contract as Exhibit B. Add new paragraph

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By:)
Jack Selby (Operator))
By) **Partners**
William J. Dawson)

By ~~**Director, Office of Minerals**~~
Exploration

~~Title~~

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

[CORPORATE SEAL]

INT.-DUP. SEC., WASH., D.C. 52370

DRAFT 3/30/62
SPHolt/gla

EXPLORATION CONTRACT
JACK SELBY AND WILLIAM J. DAWSON
OME-6168

ANNEX I

The land, with all rights pertaining thereto, referred to in Article 2 of the contract and shown outlined in blue color on Figure 1, titled "Topographic Map Showing Property Lines, Access Roads, & Proposed Road as Indicated, also Place of Custom Milling," attached hereto and made a part hereof, comprises deeded agricultural land with mineral rights, as follows:

The S½ NE¼, SE¼ NW¼, and W½ SE¼, sec. 23, T. 26 S., R. 8 E., Mount Diablo Base and Meridian, San Luis Obispo County, California, total area 200 acres more or less, and commonly known as the "Keystone Field."

The Operator controls the land under the terms of a Mining Agreement, dated June 1, 1957, as amended by a Supplement to Mining Agreement, dated July 24, 1957, from the owner, Phelan Land & Cattle Company, a California corporation, the address of which is P. O. Box 317, Cambria, California.

A Performance Bond is attached hereto and made a part hereof, in lieu of Lien or Subordination Agreement of the owner of the property.

DRAFT 3/30/62
SPHolt/gla

EXPLORATION CONTRACT
JACK SELBY AND WILLIAM J. DAWSON
OME-6168

EXHIBIT A

The purpose of the project is to explore for ores of mercury occurring as cinnabar disseminated in a sandstone lens by means of ~~core~~ drilling from surface and crosscutting and drifting in the Keystone mine property. The work shall be performed in two stages. All of Stage I work shall be done as outlined herein, and as much of Stage II work as may be approved in advance by the Government. Stage II work shall be contingent upon favorable results having been obtained under Stage I, and Stage II work shall not be undertaken without prior approval of the Government.

General Conditions

Holes shall be drilled using NX or larger size coring bits, except that non-coring bits may be used when drilling above the ore zone, and BX size bits may be used where necessary to complete a hole. Holes shall be reamed and cased or cemented and re-drilled where necessary. All cores shall be properly boxed and stored so as to be available for inspection by the Government. Core from drilling in significantly mineralized areas shall be split and one fraction reserved for the Government, stored in a suitable container properly identified as to the location. The remaining sample shall be assayed for mercury.

Sludge samples shall be taken during the core drilling; and in significantly mineralized sections where the core recovery is less than 60 percent, the sludges shall be assayed as above in addition to the core segments which have been recovered. No sample, either of core or sludge, shall represent a hole interval of more than 5 feet.

No work shall be done at locations closer than 100 feet to the property boundaries. The Government will not participate in the cost of incomplete holes. Casing left in drill holes at Operator's request will be for its sole account.

The locations and depths of all drill holes shall be subject to prior approval of the Government. No drill hole shall be drilled at a distance less than approximately 100 feet from another hole.

The Operator shall provide such supervisory and technical services as may be required to complete the project in a satisfactory manner.

Drifts and crosscuts shall be not less than 5 feet wide and 7 feet high in the clear of timber and shall be timbered as necessary, using standard drift sets consisting of not less than 8-inch by 8-inch timber, or the equivalent in round timber.

Mine rails shall be not less than 20-lb. size, air lines not less than 2-inch size, and water lines not less than 1-inch size. Ventilation lines shall be not less than 10-inch size.

Description of the Work

Stage I

An access road shall be constructed, located approximately as shown in brown color on Figure 1, heretofore mentioned, (using a bulldozer of a size not less than TD-19 or equivalent size of another make) benches shall be cleaned and sites leveled for core drilling; a spring shall be cleaned and an earth dam constructed for the purpose of furnishing water for ~~core~~ drilling (using for this work a bulldozer of a size not less than TD-24 or equivalent size of another make). The Government will contribute to bulldozing costs of not to exceed 96 hours to construct the access road, ~~nor~~ but not to exceed 62 hours to clean benches, level drill sites, and construct an earth dam.

Approximately nine vertical holes shall be drilled, located approximately as shown in red color on Figure 2, titled "Grid For Exploration" attached hereto and made a part hereof. The Government will contribute to the cost of drilling not to exceed an aggregate total of 2,500 feet of drill holes. The Government will contribute to the cost of assaying not to exceed 200 samples under Stage I.

Stage II

Contingent upon favorable results of Stage I work, a portal site shall be prepared, using a bulldozer of a size not less than TD-24 or equivalent size of ~~smaller~~ a make, portal constructed and timbered, and an adit crosscut and drift shall be driven for a distance of not to exceed 800 feet, located and in the direction approximately as shown in green color on Figure 2, hereinbefore mentioned, for the purpose of ~~further exploring~~ connecting the adit crosscut the

~~the~~ mineralized area or areas indicated by Stage I work and for [illegible] thereon. The Government will contribute under Stage II to the cost of not to exceed 800 feet of crosscutting, 400 feet of crosscut timbering, and the assaying of 100 samples.

Estimated Cost of the Project

Stage I

Actual Costs

Category (1) Independent Contracts

Bulldozing to clean benches and level drill sites and to construct earth dam, 62 hours @ $16.00/hr.	$ 992.00
Transportation of bulldozer to and from job	160.00
Bulldozing to construct access road, 96 hours @ $14.00/hr.	1,344.00
Drilling, size NX or larger, 1,000 feet non-coring @ $3.00/ft.	3,000.00
1,358 feet coring, above 300-ft. NX or larger size, depth,/@ $7.00/ft.	9,506.00
~~Coring, size BX~~ Coring, size BX, @ $6.00/ft.	
142 feet coring, NX or larger size, @ $9.00/ft.	1,278.00
Coring, size BX, @ $8.00/ft.	
Reaming and casing, or cementing and re-drilling, 250 feet @ $3.50/ft.	875.00
Transportation of drill and equipment to and from job	150.00

$17,3[illegible]5.00

Category (3), Operating Materials and Supplies

None of cost?

10 drains, 12" pipe, 15' long,

@ $1.50/ft. 225.00

40 wooden core boxes, @ $4.00/each 160.00 385.00

Category (7) Miscellaneous

None except:

Assaying 200 samples for mercury

@ $4.00/each ~~800.00~~ → X

Total Actual Costs $18,490.00

Fixed Unit Costs

Clean spring, construct earth dam,

install water system, job $ 175.00

Incidental allowance in lieu of all

costs whatsoever, except those

listed above, $0.84/ft. for 2,500

feet of drilling 2,100.00

Total Fixed Unit Costs 2,275.00

Total Stage I $20,765.00

Stage II

Actual Costs

Category (1) Independent Contracts

Bulldozing to prepare portal site,

4 hours @ $16.00/hr. $ 64.00

Category (7) Miscellaneous

None except:

Assaying 104 samples for mercury,

@ $4.00/each	416.00	
Total Actual Costs		$ 480.00

Fixed Unit Costs

Construct adit portal, including timber, 1 job	485.00	
Drive 800 feet adit, and/or drift, 800 feet @ $35.00/ft.	28,000.00	
Timbering adit, and/or drift, 400 feet @ $7.50/ft.	3,000.00	
Total Fixed Unit Costs		31,485.00
Total Stage II		$31,965.00
Estimated Total Cost of Project		$52,730.00
Government Participation @ 50%		$26,365.00

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

March 23, 1962

OFFICIAL FILE COPY

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Keystone Mine
San Luis Obispo County, California

We are enclosing a copy of a letter from the subject company, received in this office March 21, 1962, for your information.

Paul V. Fillo

Paul V. Fillo

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE o ARROYO GRANDE, CALIF.
HUNTER 9-4744 o RESIDENCE: HUNTER 9-7363

MAR 1962
COPY
O. M. E
RECEIVED MAR 27 1962
INITIALS

March 19, 1962

Mr. Paul V. Fillo
Acting Field Officer, OME, Region II
Office of Minerals Exploration
U. S. Department of the Interior
555 Battery Street
San Francisco 11, Calif.

Subject: OME-6168 (MERCURY)
Keystone Mine
San Luis Obispo Co., Calif.

Dear Mr. Fillo:

My clients are most disappointed by Washington's further request for estimates.

This negotiation has been going on for nearly a year, during which time the property stands idle, and minimum royalty payments continue. My clients have employed a geologist, and have had many conferences, including visiting your office in San Francisco, and an O.M.E. Field Inspection of the property.

The re-revised cost detail represents the best information available in this area which is primarily devoted to building construction and not mining. Exact time-tables have been submitted for each phase of the work and detailed costs submitted, revised and re-revised.

Instead of objecting to one item after another, Washington is again asked to assist my clients by proposing acceptable terms. Your Washington office has sufficient detailed knowledge and experience of this project to be able to object repeatedly to the costs submitted and must be capable of proposing costs within which the project could be performed.

I am instructed to request that they do so without further delay. My clients will then have a firm basis for negotiation to get this mine into production, instead of this continual submission and rejection of local costs.

Very truly yours

James S. Thwaites
Certified Public Accountant

JST/jc

c.c. Mr. Jack Selby
Morro Bay

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
3/6	Holt	500
	Hummel	500
3/6	Talbot	800
	On leave	130
3/6	Johnson	110
3/6	Furnish	100
3/6	Cal	220
		500

MAR 6 1962

Memorandum

To: Acting Field Officer, Region II

From: ACTING Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

We are sorry that, after prolonged and careful study, we have not found it possible to approve the Applicant's re-revised proposal for exploration of the subject property, even with deletion of proposed rehabilitation and exploration of the old adit as recommended in your memorandum of December 29, 1961.

All costs are way out of line. Prices quoted for bulldozing are too high and, if to be handled as independent contracts, should be supported by bids from at least two, better three, independent contractors. Drilling costs are much too high. Bids submitted apparently are all based on the use of oil well type rotary drill rigs with coring attachments. We suggest that new bids be secured from reliable diamond drill contractors.

Please advise the Applicant that we cannot consider a contract for exploration of this property unless more realistic cost estimates are submitted.

W. R. Griswold (gla)

SPHolt/gla
3-6-62
cc to: Director's Reading File
Review Committee
Docket

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
O. M. E
RECEIVED JAN 2 1962

DATE	INITIALS	CODE
1/2/62	Approved Noel	500

December 29, 1961

Air Mail

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Reference is made to your letter of November 27, 1961 regarding the costs of a proposed Contract.

This matter was brought to the attention of the Applicant and we have just received details of his re-revised proposal amounting to:

		Orig. Field Estimate
Stage 1	$39,507.80	39,643.36
Stage 2	40,378.00	32,765.00
Total	79,885.80	72,408.36

However, the Field Team believes there is no need to explore the old adit if a new 800 foot adit is proposed. By eliminating this cost of $2,025.00; reducing the drilling cost to $12.95 a foot; and reducing the timbering cost to $7.50 a foot, the costs now proposed would amount to:

Stage 1	$36,348.60
Stage 2	32,321.00
Total	68,669.60

Enclosed are the original and two copies of the Applicant's re-revised proposal.

For: George H. Holmes, Jr.
Acting Field Officer, OME
Region II

Enclosures 3

JAMES S. THWAITES
CERTIFIED PUBLIC ACCOUNTANT
1015 GRAND AVENUE • ARROYO GRANDE, CALIF.
HUNTER 9-2362 • RESIDENCE: HUNTER 9-7363

December 10, 1961
28

Mr. Glenn G. Gentry
Office of Acting Field Officer, OME
Region II
U.S.Dept. of the Interior
555 Battery Street
San Francisco 11, California

Subject: OME-6168 (Mercury)
JACK SELBY AND WILLIAM J. DAWSON
KEYSTONE MINE
SAN LUIS OBISPO COUNTY, CALIFORNIA

Dear Mr. Gentry:

We were delighted to learn from your letter of December 8, 1961, that Washington is inclined to approve the revised program, subject to re-revision of the data as suggested.

Four copies of a re-revised cost estimate are enclosed, on which we have the following observations on the points you raised.

Supervisory Labor

We have reduced these costs as suggested to one Supervisor plus the Geologist. ?

Bulldozer

I have been advised that a T.D.19 would be inadequate in the local conditions and that competition for equipment required for construction in the area has raised local rentals.

However, to expedite this contract we have reduced the equipment rental price for a T.D.24 with driver to $20.00/hour instead of $22.50 and trust this will be an acceptable minimum for this aspect. A T.D.19 @ $16.00/hr. is now proposed for the road construction.

Drilling Area

As mentioned in the attached cost estimate, two maps of the proposed core drill holes are already in your possession and can be found as exhibits 3.e.1) Isopach map Plates-8 and 9, and grid for exploration, as indexed in the application of July 18, 1961, (four copies submitted).

As agreed with the Examining Officer on October 10, 1961, the revised program limits drilling to the first nine holes as previously detailed in the Geologist's report and as mapped in the above exhibits.

As also originally submitted - see Note to Item-5, exploration work - 5.a) Part-I 3. of application, July 18, 1961, and as agreed with Mr. John Padan, Examining Officer, October 10, 1961, the footage to be drilled will be constant but the exact location must be determined by results of geological interpretation of outcome of preceding cores.

This flexible location approach has previously found favor with your office and it is hoped to adhere to it for its obvious practical benefits.

Equipment Rental

Your suggestion is accepted and depreciation is charged instead of rental on equipment owned by Pierce. Other rental rates have been reduced.

Summary of Re-Revised Costs

Attached in detail.

Breakdown

7. a) Independant Contracts
No change from previous submission Item 7. a).

7. b) Personal Services
Supervision limited to one per program item as suggested. Amended man hour analysis herein.

7. c) Operating Materials and Supplies
No change from previous submission Item 7. c).

7. d) Operating Equipment
Revised to adopt depreciation in place of rental for Items owned by W. D. Pierce - schedule herein - 5.a. Part II, Item 1. a).

7. e) Initial Rehabilitation
No change from previous submission Item 7. e).

7. f) New Buildings
No change from previous submission Item 7. f).

7. g) Miscellaneous
Items as detailed in previous submission 7. g), now omitted unless O.M.E. prefers to include them as scheduled.

Conclusion

Applicants hope sincerely that a favorable conclusion can now be reached without delay and look forward to your advice at the earliest possible date. Applicants specifically request that Washington amend, alter or adjust any other details as they see fit and embody these in a contract for consideration by the applicants.

JST/jc

Very truly yours

James S. Thwaites
Certified Public Accountant

OME - 4 copies.
c.c. Jack Selby
William J. Dawson

encl.

OME 6168 (MERCURY)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, Calif.

SUMMARY - TOTAL COSTS OF PROJECT RE-REVISED

PART I. CORE DRILLING AND SURFACE EXPLORATION

5. a.	1.	Cleaning benches 16-hrs @ $45.58 ?	$729.20	
		Dam 16-hrs @ $35.57	569.20	
	2.	New benching 40-hrs @ $33.40	1,336.00	
	3.	Drilling - area detailed herein & see plates 8 & 9, (Exhibit 3.e.1.of application, July 18, 1961). 2,500-ft. @ $13.66	34,162.00	
5. b.		Access Road 7,040-yds. @ $0.38 p.yd. ...	2,711.40	
TOTAL COST, PART-I			$39,507.80	

PART II. UNDERGROUND EXPLORATION, if results of PART I justify.

5. a.	4.	Explore old adit 64-hrs @ $31.64	$2,025.00	
5. a.	1.	Erect portal 16-hrs. @ $45.56 ?	729.00	
	2.	Drive adit 800-ft. @ $35.74 OK	28,592.00	
	3.	Timber adit 400-ft. @ $11.29	9,032.00	
TOTAL COST, PART-II			$40,378.00	

Overhead costs as originally detailed Items 7. e; 7. f; 7. g; omitted.

Total = $68,619.68

OME - 6168 (MERCURY)
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San Luis Obispo County, Calif.

7. ESTIMATE OF PROGRAM COSTS

The exploration costs are based on current wage rates, supply and equipment rates. Personnel, including applicants, are experienced Foremen, and Journey men, entitled to standard wage rates for their labor. Corresponding savings in the time of completion through efficiency are included. Construction competition for labor and equipment make these costs high for good men and equipment.

Costs based on an overall hourly and footage basis in order to simplify bookkeeping and payment for work accomplished.

5. a. Part I.

1) Clean benching sites; clean springs and construct earth dam.

Clean old drill benches: 16 hours.

Rental of T.D.24 with operator ($4.00 p.hr.) 16-hours @ $20.00 ..... (T.D.19 inadequate under local conditions).	320.00
1 Supervisor - labor @ $5.20; 1 laborer @ $3.50 Labor. 40-man hours ..... (1/2 time)	174.00
Geologic supervision (iii)	75.20
Haulage T.D.24 to site (2-way)	160.00
= $45.58 per hour overall	729.20

Clean out springs and construct earth dam - 16-hours.

Rental of T.D.24 with operator 16-hours. @ $20/hr	320.00
1 Supervisor - labor @ $5.20 Laborer @ $3.50. Labor and supervision (i,ii,iv(½-time)). 40 man hours	174.00
Geologic supervision (iii) and mapping 16-hours @$4.70 per hour	75.20
= $35.57 per hour overall	569.20

Jack Selby and William Dawson
P. O. Box 993
Morro Bay, California

5. a. Part I

2) Benching new drill sites - 40-hours.

Rental of T.D.24 with operator, 40-hours @ $20/hr.....	800.00
1 Supervisor labor $5.20. 1 Laborer @ $3.50. 80-hours	348.00
Geologic supervision iii, 40-hours @ 4.70/hr	188.00
= $33.40 per hour overall	1,336.00

3. Rental of Geophysical rotary drill with operator and helper:
   $3.00 per foot with core.
   7.00 per foot with core to 300-feet.
   12.00 per foot with core below 300-feet.
   22.00 per foot with core below 300-ft.with allowance for very hard ground, and renewal of bits.
   Continuous inclinometry, 10¢ per foot. 250.00

Supervisor - labor one, @ $5.20. Survey & labor one @ $3.50. Labor and supervision, 2-drills including surveying and mapping assistance.	12,397.00
Geologic supervision (one) @ $4.70/hr. and corelation 1,425 hours	670.00
60-core trays and 240 sample bags	23.00
Mapping, materials, Isopach maps	12.00
Assays 220 @ $5.00	1,100.00

Exploration Area

Reference maps previously submitted as exhibits 3. e. 1), Plates-8 and 9, and grid for exploration, under cover of application of July 18, 1961.

Drilling, flexible locations, starting at hole-1, Stage 14:

Hole 1.....	300 ft.	
2.....	274.ft.	
4.....	299 ft.	
5	361 ft.	
6.	359 ft.	
7	322 ft.	
8	286.ft.	
9	299 ft.	2,500.ft.

The above holes, as mapped, will be drilled if the preceding hole provides

5. a. Part I

geological justification. Applicants propose to alter location of drilling to other holes as mapped#1 through #38 as alternative to above plan #1 through #9, if drill results show change of location is called for. Overall footage to remain the same, 2,500-feet.

Area: per plates 9h and 8, (Exhibit 3.e.1.) and grid for exploration.

9-holes 2,500-ft.	
1,000-ft. without core 1,000-hrs @ $3.00 per ft.	3,000.00
1,500-ft. with core - 375-hrs. 1,358- above 300-ft. level @ $7.00 per foot.	9,506.00
142 below 300-ft. level @ $12.00 per ft.....	1,704.00
Expected loss of circulation, highly brecciated ground.	14,210.00
250-ft. - 50-hrs. p.ft. @ $22.00	5,500.00 ?
OVERALL COST	34,162.00
= $13.66 per ft.	

5. a. Part II - Dependant on results of Part I of Program.

1.a) Clean Old Adit and Explore - 64-hrs.

Clean to intersection of veints 240-ft. from portal - 24-hours.
Clean from intersection of veins to old winze - 32-hours.
Sink 8-ft. shaft - 8-hours.

Use of mucking machine 64-hours @ 10¢	6.00
Air compressor @ 0.67/hr.....	43.00
Horizontal and inclined drilling:	
-Rental use of core drill $2.50/hr.20-hrs.....	50.00
One Supervisor labor @ $5.20.	
One Laborer @ $3.50.	
Labor and supervision 192-manhours	557.00
Geologic supervision & sampling 64-hrs.@$4.70...	300.00
Timbering 30-sets,36-ft.@ $5.87 per ft.	1,056.00
Powder 5-sticks p/ft.8.ft.@ $1.20 p.ft.....	10.00
Primers .....0.15 p.ft.....	1.00
Fuse .....0.30 p.ft.....	2.00
= $31.64 ($31.64) p/hr overall	2,025.00

Jack Selby and William Dawson
P. O. Box 993
Morro Bay, California

5. a. Part II. Item 1.a)

Current Market value of equipment owned - as detailed in Schedule 1.c.2)

	$	Hourly rate 5-Year Life
Wright power saw	150.00	$ .10
Slusher and bucket	600.00	.40
Ingersoll-Rand Jackhammer & Jackleg.	600.00	.40
Chicago-Pneumatic 105 Aircompressor.	1,000.00	.67
Mucking machines	500.00	.34

Hourly depreciation rates based on five-year life - 1,500 working hours.

1) Clear Back Area and Construction of Portal - 16 hours.

Rental of T.D.24 with operator, 4-hours @ $20.00	80.00	
Supervisor - labor one. Labor and supervision 32-manhours @ $5.20/hr....	166.00	166.40
Mining labor, hauling etc. 4 men $3.50 per hr. including payroll taxes and dues. 64-manhours @ $3.50	224.00	
Geologic supervision and mapping iii. 16-hours @ ~~$4.50~~ $4.70	75.00	75.20
Timber, as itemized - 7 c)	184.00	
	729.00	

= $45.56 per hour overall.

2) Driving adit 800-ft. 40-hr. week. Advance 8-ft. per day = 100-days./Labor and supervision.

One supervisor labor 800-manhours @ $5.20	= $4,160.00	=	5.20 p.ft.
Geologic supervision & sampling 800-man hours @ $4.70	= $3,760.00	=	4.70 "
Mining labor (4), 3,200 manhours @ $3.50.	=$11,200.00	=	14.00 "
Operating materials and supplies, per 7.c)		=	4.20 "
Air blower @ $5.00 per day	= $500.00	=	.63 "

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

5. a. Part II Item 2)

Slusher (first 120-ft) 120-hours. 0.40¢ p/hr	= $48.00	=	.06 p.ft.
Power saw @ .10¢/hr	= $80.00	=	.10 "
Jackhammer @ .40¢/hr	= $320.00	=	.40 "
Aircompressor @ .67 per hour		=	.67 "
Mucking machine @ .34¢ per hour		=	.34 "
Light plant @ $5.00 per day		=	.63 "
Track 600-ft @ cost $200.00. Add: 1,000 ft. @ 12¢ per lb. 50-lbs per yard	= $1,800.00	=	2.50 "
Sampling assays 200 @ $5.00		=	1.25 "
Inclined drill @ $10.00 per day		=	1.06 "
			35.74 per ft.

Hugh gave 100 @ 4

3) Timbering adit, 6-ft. segments 400-ft., materials cost, per 7 c) = 587 p.ft. (5.87)

3-sets, 2-men, 8-hours, 355-manhours @ $3.50 p/hr. = $1,242.50 = 3.11 "

Supervision and labor one, 178-manhours @ $5.20/hr. = $ 925.60 = 2.31 "

COST PER FOOT 11.29 "

5. b. PART I

Driving, grading & levelling access road. 4-miles 96-hrs.

Rental T.D.19 @ $16.00	=	1,536.00
10-drains; 12-inch pipe, 15-ft. per drain @ 1.50 p/ft.	=	225.00
Supervision one (i,ii,iv). 96-manhours @ $5.20	=	499.20
Geologic supervision, Inc. Surveyors. 96-hrs @ $4.70	=	451.20 ?
		2,711.40

Est. 7,040 yards = $0.38 per yard.

Jack Selby & William Dawson
P. O. Box 993
Morro Bay, California

PERSONAL SERVICES

7. b) Analysis of Man Hours

i One supervisory labor at Union scale rates - $5.20 p/hr.
ii One consulting geologist at ..... $4.60 "
iii Four mining laborers, including dues and payroll taxes ..... $3.50 "
iv One T.D.24 or T.D.19 operator @ $4.00 p/hr, included in rental cost of T.D. .....

	i	ii	iii	iv	TOTAL
5. a. PART I					
1. Clean	16	16	16	16	64
Dam	16	16	16	16	64
2. Bench	40	40	40	40	160
3. Drill	1,425	1,425	1,425	-	4,275
5.b. Access Road	96	96	96	96	384
	1,593	1,593	1,593	168	4,947
5. a. PART II					
1. a. Explore adit	64	64	64	-	192
1. Portal	16	16	64	4	100
2. Drive	800	800	3,200	-	4,800
3. Timber	178	-	355	-	533
	1,058	880	3,683	4	5,625

All the above personal services are available on O.M.E. approval of contract.

MME Form 7
(10-58)

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Date	Surname	Code
11/27	Holt	500
	Dunsmyd	500
11/27	Talbot	800
11/27	[illegible]	130
11	Johnson	110
11-27	[illegible]	100
11/27	[illegible]	220
		500

NOV 27 1961

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

We cannot approve the estimated costs for work (proposed by the Applicant at the subject property) as set forth in the revised proposal for exploration in the Report of Examination forwarded with your memorandum of October 30, 1961.

For instance, we could not allow three supervisors at $900.00/month each, plus one geologist-supervisory at $800.00/month, to supervise the work of four mining laborers to prepare portal and drive and timber drift, or to supervise cleaning of benches, construction of access road, et cetera. A TD-19 bulldozer, with gas, oil maintenance and driver, usually rents for about $16.00/hour, instead of $22.50/hr. as set up in this cost estimate. Some of the rental rates for equipment, such as $5.00/hour for compressor and $25.00/day for an EX inclined drill, appear to be on the high side. Furthermore, under the "joint venture" agreement with W. D. Pierce there is a question as to whether the project could be charged with rental, instead of depreciation only, of equipment owned by Pierce.

We are inclined to approve the work as outlined in the revised program if the Applicant will agree to and submit revised cost estimates for such work, omitting excess supervision and equipment rentals, and listing costs detailed as outlined under Item 7 of the application form to show:

(a) Independent contracts --

1. Bulldozing
2. Core drilling
3. Drifting and crosscutting (if contracted). Drift and crosscut timbering to be set out as separate item.

(b) Labor and supervision, including engineering and geological services and consultants, itemized by numbers and classes of employees, rates of wages, salaries or fees, and periods of employment.

43683

(c) Operating materials and supplies, such as explosives, track, pipe, steel and bits, et cetera.

(d) Operating equipment, purchased or rented. Depreciation may be charged on equipment owned by the operator which is necessary for work under the exploration project. The allowed depreciation allowance is on a five-year basis. Therefore, present fair market value of such equipment should be estimated.

(e) Initial rehabilitation and repairs, if any.

(f) New buildings, fixutres, et cetera, if any.

(g) Miscellaneous, as listed under the corresponding Item 7.(g) in the application.

All of the above items should be expressed in terms per foot of advance, with estimated total for each item, and totals for bulldozing, core drilling, and drifting and crosscutting. Estimated footage per day or per shift should be stated for each class of work, with total estimated time for each.

The Applicant's program called for 12,988 feet of rotary and core drilling in 38 holes, locations of which were shown on maps accompanying the application. The proposed revised program in the Report of Examination includes 2,500 feet of core drilling, but the maps accompanying the report do not indicate the number, locations, or depths of proposed core holes. Please submit such a map if the Applicant is willing to agree to a re-revised program somewhat along the lines indicated above.

/s/ George C. Selfridge

SPHolt/gla 11/21/61
Rewritten: 11/27/61
cc to: Director's Reading File
Review Committee
Docket

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

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O. M. E.
RECEIVED NOV 2 1961

DATE	INITIALS	CODE
11-2	gad	200
		130
11-2		100
"	Brunnell	500
11-3	Hoch	500
	G.T.H.	

October 30, 1961

Memorandum

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

From: Acting Field Officer
Office of Minerals Exploration
Region II

Subject: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Enclosed are the original and three copies of the Application Examination Report on the subject property, examined by John W. Padan, Mining Engineer, U. S. Bureau of Mines, on October 10, 1961. Also enclosed is a copy of the applicants' revised proposal of October 11, 1961.

The examining engineer recommends approval of a reduced version of the original application. The co-applicants are agreeable to the new proposal. They are aware that Stage II may be reduced or deleted and the Office of Minerals Exploration is not committed at this time.

Glenn G. Gentry

Enclosures

Copy to: J. W. Padan
OME Files

ON-SITE EXAM. REPORT

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O. M. E
RECEIVED NOV 2 1961

DATE	INITIALS	CODE

UNITED STATES
DEPARTMENT OF THE INTERIOR
STEWART L. UDALL, SECRETARY

OFFICE OF MINERALS EXPLORATION

REPORT OF EXAMINATION BY ACTING FIELD OFFICER
REGION II

APPLICATION REPORT

OME-6168 (Mercury)
Jack Selby
William J. Dawson
Keystone Mine
San Luis Obispo County, California

by

John W. Padan
Mining Engineer
U. S. Bureau of Mines
Region II

Glenn G. Gentry
Acting Field Officer
Office of Mineral
Exploration
Region II

October 30, 1961

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ILLUSTRATIONS

Figure 1. ..... Topographic Map showing lease

Figure 2. ..... Cross-Section of Postulated Ore Body.

INTRODUCTION

Messers. Jack Selby and William J. Dawson, P. O. Box 993, Morro Bay, California, applied to the Office of Minerals Exploration for Government assistance to explore for mercury (cinnabar) ores at the Keystone Mine, in the Pine Mountain Mining District, San Luis Obispo County, California.

The applicant wishes to explore the deposit to determine if the extent and grade of mercury ores are adequate for economic consideration.

A field examination was requested by the Division of Field Operations and was made on October 10, 1961, by John W. Padan, Mining Engineer, Region II, Bureau of Mines. Mr. Padan was accompanied by William J. Dawson, co-applicant; Walter D. Pierce, contractor; and Gerhard E. Eberhardt, geologist.

The geology and surface exposures of the applicants' lease were examined but underground workings had caved and could not be observed. The proposed road location also was examined. No cinnabar showings were noted, except in fragments of altered serpentine in the old dumps.

SUMMARY

The postulated ore body is a sandstone lens lying above and laterally outward from the intersection of two silica carbonate veins and immediately beneath the gouge formed along a thrust fault.

Reserves are estimated, by the applicants, to total about 430,000 tons averaging 10 to 15 pounds of mercury per ton of ore ? (0.5% to 0.75% Hg).

On October 11, by letter, the applicant submitted a revised proposal to explore the deposit by core drilling. If results are favorable the ore body would then be probed by an 800 foot adit.

The deposit can be effectively explored by approximately 2500 feet of core drilling and 800 feet of drifting.

CONCLUSIONS AND RECOMMENDATIONS

We recommended that the Government enter into an OME contract with Messers. Jack Selby and William J. Dawson, to provide 50 per cent of the costs of a program consisting of:

Stage I -
- (a) site preparation
- (b) access road repairs
- (c) core drilling (2500 feet)

Stage II- (if Stage I is favorable)
- (a) explore old workings, if possible
- (b) drifting (800 feet)

The total cost is estimated, (see revised proposal), to be $72,408.36 of which the Government's share at 50 per cent would be $36,204.18. To facilitate administration of the contract, the work should be on footage or unit costs.

LOCATION, ACCESSIBILITY AND LOCAL FACILITIES

The Keystone mine is in Sec. 23, T.26 S., R.8E., M.D.B.&M., Pine Mountain Mining District, San Luis Obispo County, California. It lies on the west slope of the Santa Lucia range at an elevation of approximately 2000 feet.

The lease is $6\frac{1}{2}$ miles due north of Cambria, California. It is presently reached from that town by travelling northwest on California State Highway I for approximately 4 miles to the San Simeon Creek bridge. A $6\frac{1}{2}$ mile dirt road leads northeast from the bridge to the Keystone mine.

Mine labor, equipment and supplies can be obtained in the Morro Bay area, 25 miles to the southeast. No transmitted electric power is available; equipment would be powered by diesel or gasoline engines. Water for exploration and mining use will be obtained by impounding a nearby stream. Railroad facilities are available either at Paso Robles, or San Luis Obispo, California, on the Southern Pacific Railroad. Both sidings are 35 to 40 miles from the property.

The applicants plan to construct a mill on the site if sufficient ore is encountered in the exploration program.

PROPERTY

History and Production

According to Eckel et al [1] the mine yielded 60 flasks of quicksilver in 1875. A little exploratory work followed during World War I. The old workings reportedly consisted of a 300 foot adit and a 50 foot winze.

1/ Eckel, E. B; Yates, R. G; and Granger, A. E; Geological Survey Bulletin 922-R, Quicksilver Deposits in San Luis Obispo County and southwestern Monterey County, California, pp. 572-573.

U. S. Bureau of Mines records indicate recent production as follows:

1954	5 flasks
1955	1 flask
1956	1 flask (est.)

The applicants leased the property on a $100 per month basis from the owner, Phelan Land and Cattle Company, on June 1, 1957.

John Hoffman, on a sub-lease that reportedly expired in May 1958, executed an unsuccessful exploration program by bulldozing surface exposures and drilling. No cores or even well logs are available but one hole reportedly encountered a good showing of cinnabar. We do not feel that this apparently haphazard exploration program condemned the prospect.

The applicants intersected the old workings by driving a new adit. They were not able to rehabilitate the old adit because of badly shattered, caving, ground. The property has been idle since 1960.

Ownership

The applicants assert that they hold a lease, binding by renewal until May 31, 1972, with the landowner, Phelan Land and Cattle Company, Box 317, Cambria, California. The applicants anticipate no difficulty in securing further extensions of the lease beyond 1972.

note address

The applicants inform us that the route of the proposed road lies entirely on Phelan Land and Cattle Company property.

Financial Eligibility

The applicants have submitted evidence of unsuccessful efforts made to obtain an exploration loan from three sources:

(1) Bank of America, Morro Bay, California.
(2) Dr. Edison French, San Luis Obispo, California.
(3) Independent Mortgage and Investment Company Santa Cruz, California

Financial statements of the applicants are included in the OME application already submitted to Washington.

The applicant informs us that they are unable to obtain a Lien and Subordination Agreement from the landowner, Phelan Land and Cattle Company. They will, however, submit a Performance Bond.

Development

Underground workings, described under "History and Production," are currently inaccessible because portals of the two adits are caved. According to the applicants, the old workings have suffered several cave-ins.

A 300 foot bulldozer slot has been cut along a northwest trending fault exposing serpentine, sandstone, and silica-carbonate rocks.

No surface installations are present but skeletons of a few scattered dwellings stand as a mute testimonial to the destructive powers of a recent forest fire.

The applicants intend to provide equipment and supplies adequate for the exploration project.

GEOLOGY

Geologic Setting

The postulated ore body appears to be associated with a strong northwest-trending fault zone, visible at the surface. According to Eckel [1] ore extracted from surface silica-carbonate rocks, in June 1940, yielded as much as 20 pounds of quicksilver to the ton.

Ore Deposits

Mr. G. E. Eberhardt in his geologic report to the applicants describes the postulated ore body as follows:

> "The probable sandstone body, that is anticipated to be reached by drilling at the Keystone mine, should contain the desired porosity to distinguish it as a suitable receptacle rock. The overlying mudrock fault gouge formed by the overriding Keystone thrust should form a good impervious capping, and the ore bearing solution channels may have been contained along the intersection of the two silica carbonate veins that probably underlie this sandstone at depth."

This relationship can be seen in Figure 2.

Sampling

No samples were taken because the underground workings were inaccessible at the time of inspection and no cinnabar showings were observed on outcrops.

1/ op. cit.

Ore Reserves

The applicants estimate their ore reserves as follows:

High grade ore	(>15 lbs. per ton)	66,300 tons
Medium " "	(10-15 lbs. per ton)	140,100 "
Low " "	(<10 lbs. per ton)	228,900
Total tonnage		435,300 tons

They estimate the value of this deposit to be $10,603,710.00

EXPLORATION

Applicant's Proposal

The applicants' original application of July 18, 1961, proposed a $201,008.92 exploration program as summarized below:

(1)	site preparation and core drilling	$140,224.16
(2)	rehabilitation of old adit	2,765.00
(3)	access road repairs	4,332.96
(4)	new adit	53,686.80
Total cost	.....	$201,008.92

Examiner's Proposal

We recommend the property should be explored, under an OME exploration loan, for the following reasons:

(1) The prospect has a history of known production.
(2) Faulting, apparent at the surface, is compatible with the postulated structure.

The existence of the postulated structural trap and resultant ore body can best be determined by core drilling.

In conference with the applicant, the program was revised to a more reasonable exploration program as follows:

7. Summary (see item 7 of original application)

Total Costs of Project

Part 1. Core Drilling and Surface Exploration

5. a. 1.	Cleaning benches	16 hrs. @ $50.20* =	$ 803.20
	Dam	16 hrs. @ 40.20* =	643.20
2.	New benching		1,500.00
3.	Drilling, approx. 2,500 ft. @ 12.95* =		32,364.00
5. b.	Access Road, approx. 7040 yds.@ 0.62* =		4,332.96
Total Cost Part 1			$39,643.36

Part 11. Underground Exploration (Dependent on results of Stage 1)

5. a. 4.	Explore old adit, approx. 64 hrs. @ $43.20 =	$ 2,765.00
1. 3.	Drive and timber 800 foot adit ($37.40/ft.)=	30,000.00
Total Cost of Part 11		$32,765.00
Total Cost of Project		$72,408.36

All parties realize that Stage 11 may be reduced or not approved.

Cost Estimate

Except that the applicants' revised proposal is more modest than the original, the cost of specific items would be the same as outlined in item 7 of the original application (the unit cost of core drilling, however, was increased as explained in the previous section).

*These costs include both salaries and mercury testing. The cost of diamond drilling increased from $10.44/ft. because the latter estimate was based upon the original total footage of 12,989 feet.

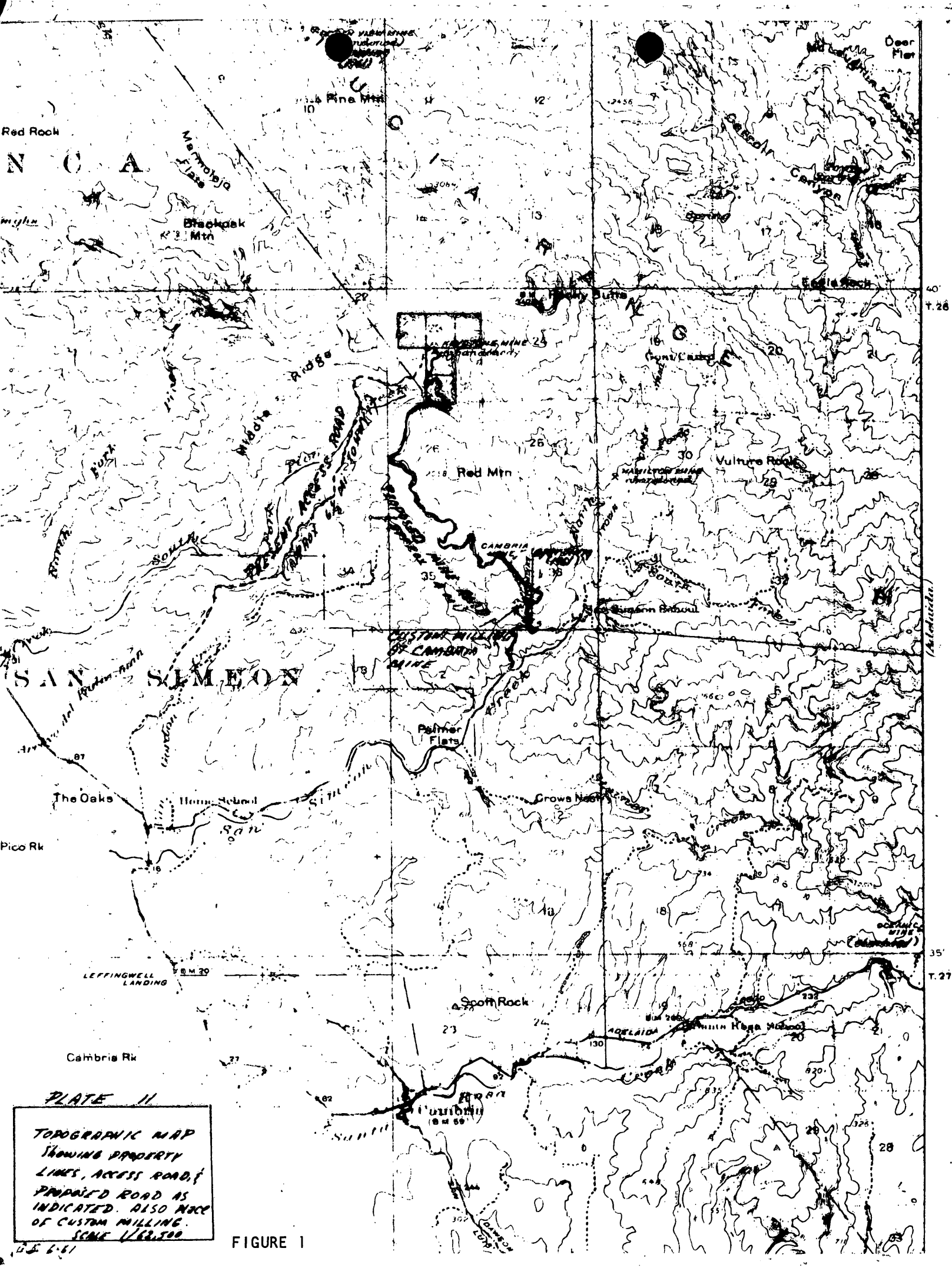


PLATE II

TOPOGRAPHIC MAP SHOWING PROPERTY LINES, ACCESS ROAD, & PROPOSED ROAD AS INDICATED. ALSO PLACE OF CUSTOM MILLING. SCALE 1/62,500

FIGURE 1

LEGEND
Sandstone-graywacke
Silica-carbonate
Serpentine
Mudrock-"altaⁿ"-gouge
Clay-shale-sandy-some carbonate & chert-gouge
Same above with much brecciation
Rhyolite Porphyry
SCALE 1" = 100'
S 77° W
GENERALIZED CROSS SECTION
A — A'
A
A'
Old Selby-Dawson Adit
Proposed New Adit - 787'
PROBABLE
2200'
2100'
2000'
1900'
1800'
1700'
1600'
B.E. 6-61
KEYSTONE MINE

Figure 11

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
8/18	Holt	500
	Tomell	500
8/18	Talbot	800
8/15	Lefrange on leave	130
"	Dawson	110
8/18	Fernald	100
8-21	gad	220
		500

AUG 1 8 1961

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: CMX-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

The subject application is referred to Region II for review, a field examination if deemed advisable, and recommendations.

The Applicant's proposed exploration program appears to be more elaborate and costly than we could consider. It seems to go beyond simple exploration and to be more in the nature of development and preparation for mining. We agree that a moderate program of road repairs, a few drill holes, and/or underground exploration, as noted in your memorandum of August 9, 1961, might be warranted.

We also concur with your observation that the Applicant's estimated costs of drilling and underground work are excessive. Any proposal for a revised program should include more realistic cost estimates.

If you should recommend a contract, please inform the Applicant that a Performance Bond will be required in lieu of a Lien or Subordination Agreement that the landowner is not willing to sign.

/s/ Griswold

(SPH)

SPHolt/gla
8-18-61
cc to: Director's Reading File
Review Committee
Docket

43683

E Form 7
0-58)

OFFICIAL FILE COPY

Date	Surname	Code
8/18	Holt	500
	Drewes	500
8/18	Talbert	800
8/18	Selby page and Lake	130
"	Johnson	110
8-18	Fumich	100
8-21	gad	220
		500

Mr. Jack Selby
P. O. Box 993
Morro Bay, California

AUG 1 8 1961

Re: OME-6168 (Mercury)
Jack Selby and William J. Dawson
Keystone Mine
San Luis Obispo County, California

Dear Mr. Selby:

The application for assistance in exploring the subject property has been reviewed by the Division of Minerals of the Office of Minerals Exploration and referred to Mr. Glenn G. Gentry, Acting Field Officer, Region II, Office of Minerals Exploration, 113 Custom House, 555 Battery Street, San Francisco 11, California.

The letter of July 31, 1961, from the Bank of America, Morro Bay Branch, to Mr. James S. Thwaite, does not constitute a denial of your application for a loan. Therefore, to expedite the processing of your application, please provide the bank with a financial statement and production figures requested in its letter of July 31, 1961, and request the bank to inform you on what terms it would be willing to make the loan. Copies of your letter to the bank and its reply should then be sent to this office. Also send to this office a recent financial statement for the partnership. not only this

The Regional Office will notify you in case additional information concerning the application is needed.

Sincerely yours,

George Fumich, Jr.

Director

cc: Mr. William J. Dawson
3496 Mayfair Blvd.
Fresno 3, California

SPHolt/gla
8-18-61
cc to: Director's Reading File
Region II (2)
Docket

43683

MME FORM 6 REFERENCE SLIP

REV. 2- OFFICE OF MINERALS EXPLORATION

TO:	DATE	INITIALS
1. 100	8-14	[illegible]
2. 500		
3.		
4.		
5.		
FROM: VVO	8-14	gad

FOR: Check items for action desired

____ Action ____ Reply for signature of ____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions ____ Your information

REMARKS:

INT.-DUP. SEC., WASH., D.C. M50943

E Form 7
.0-58)

OFFICIAL FILE COPY

Date	Surname	Code
8/14	Dakan	200

AUG 14 1961

Messrs. Jack Selby & William J. Dawson
P. O. Box 993
Morro Bay, California

Re: OME-6168

Gentlemen:

Your application for exploration assistance, dated July 18, 1961, submitted to our office at San Francisco, California, has been assigned Docket Number OME-6168.

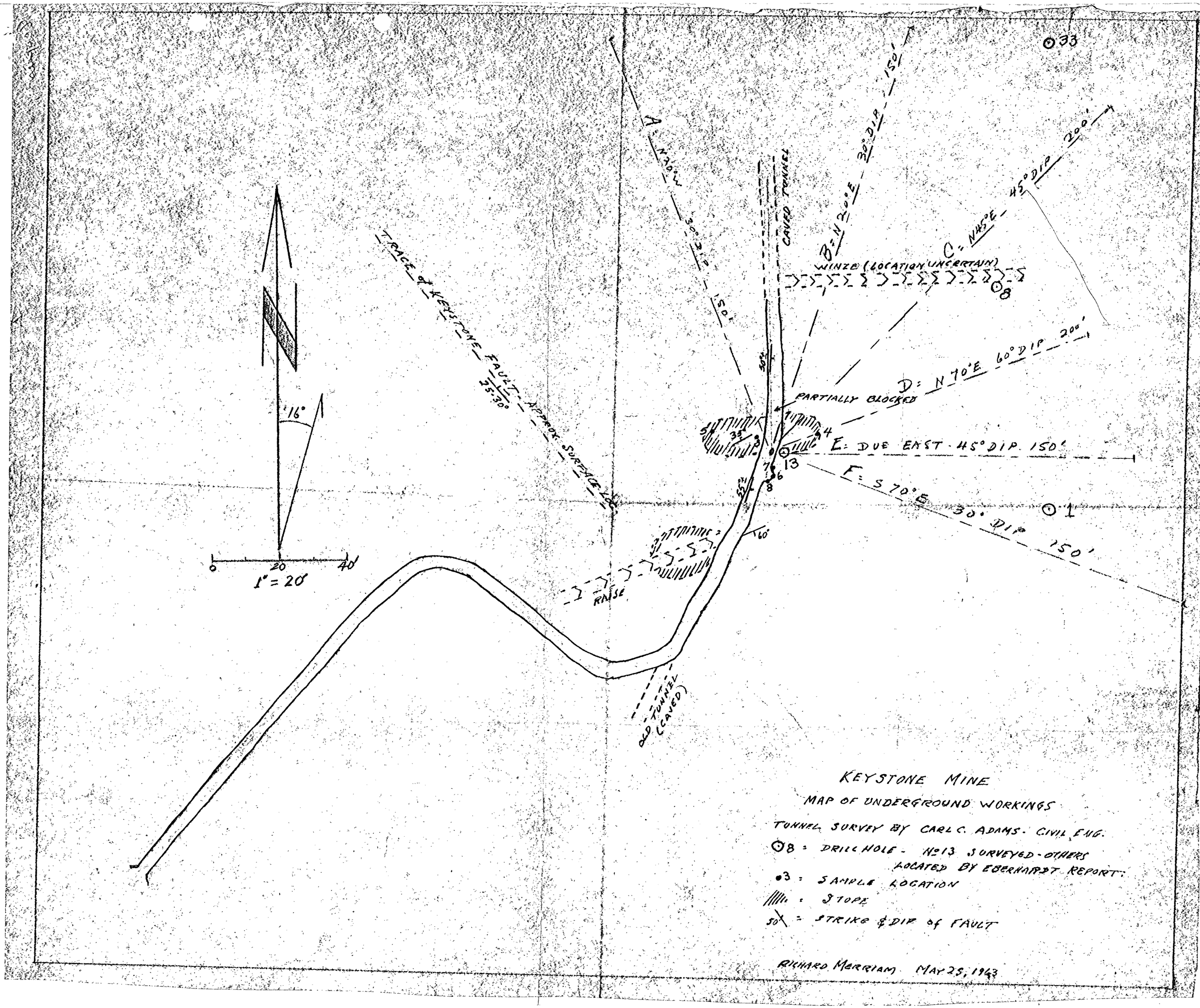
Kindly identify all future correspondence relating to your application by this docket number.

Sincerely yours,

Allen S. Dakan, Chief
Division of Administrative
Management

Copy to Region II

43683



KEYSTONE MINE

MAP OF UNDERGROUND WORKINGS

TUNNEL SURVEY BY CARL C. ADAMS - CIVIL ENG.

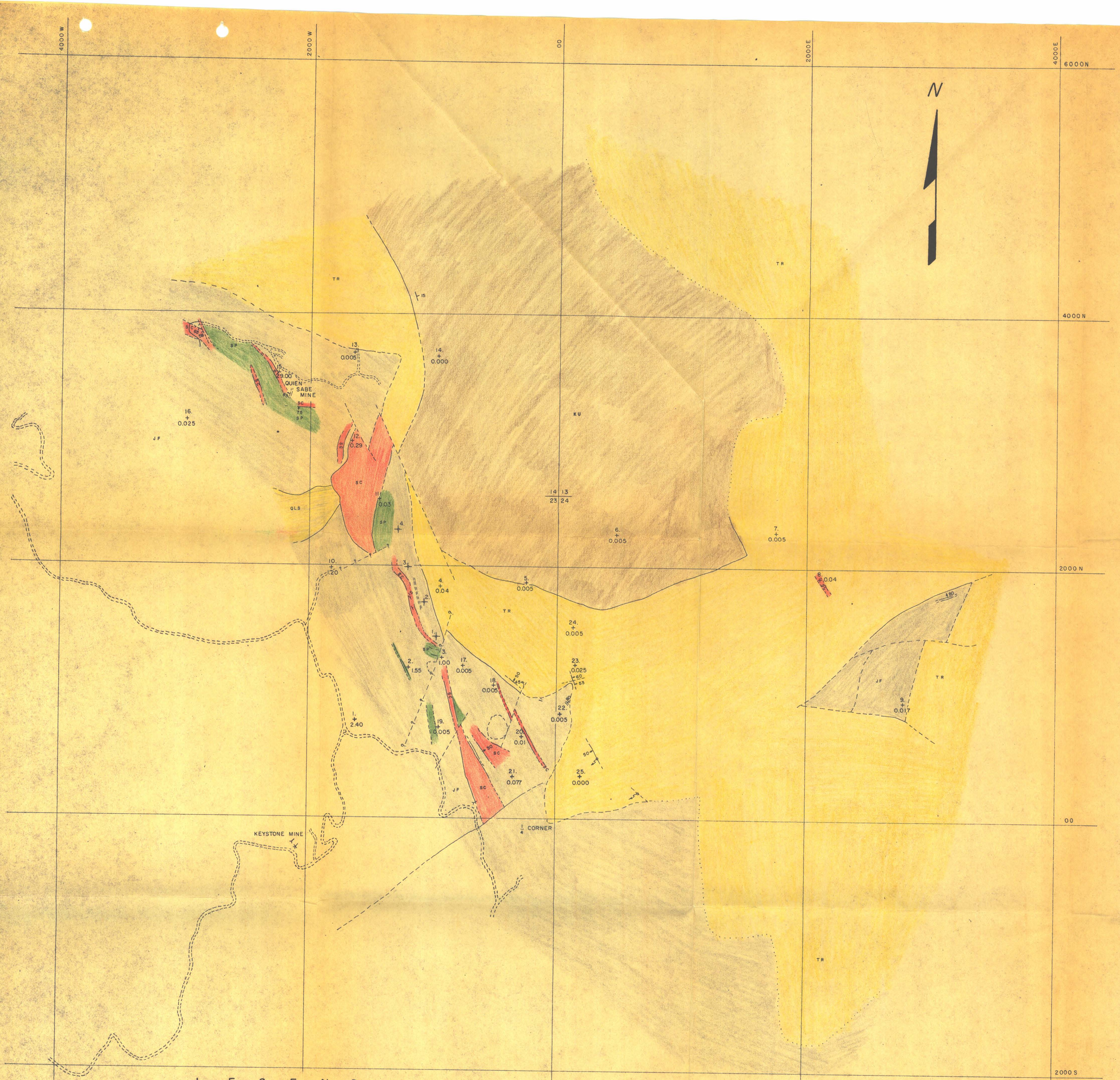
⊙8 = DRILL HOLE - No 13 SURVEYED - OTHERS LOCATED BY EBERHARDT REPORT.

•3 = SAMPLE LOCATION

//// = STOPE

50 = STRIKE & DIP of FAULT

RICHARD MERRIAM MAY 25, 1963



L E G E N D

- QLS — LANDSLIDES, ETC.
- TR — TERTIAY RHYOLITE, INTRUSIVE STOCKS, DIKES & SHEETS.
- KU — CRETACEOUS SANDSTONE.
- SP — SERPENTINE & OTHER BASIC INTRUSIVE BODIES.
- JFS — JURASSIC FRANCISCAN SANDSTONE, SHALES, & CHERT LENSES.
- SC — SILICA CARBONATE ROCK, ACCOMPANIES MOST MERCURY DEPOSITS.
- + PROPOSED DRILL HOLES.

FAULT OR CONTACT SOLID WHERE CERTAIN, DASHED WHERE APPROXIMATE, DOTTED WHERE INTERPRETATION DONE FROM AERIAL PHOTOS.

80 STRIKE & DIP OF FAULTS.

80 STRIKE & DIP OF BEDS.

ADIT — CAVED ADIT

UNIMPOVED DIRT ROAD

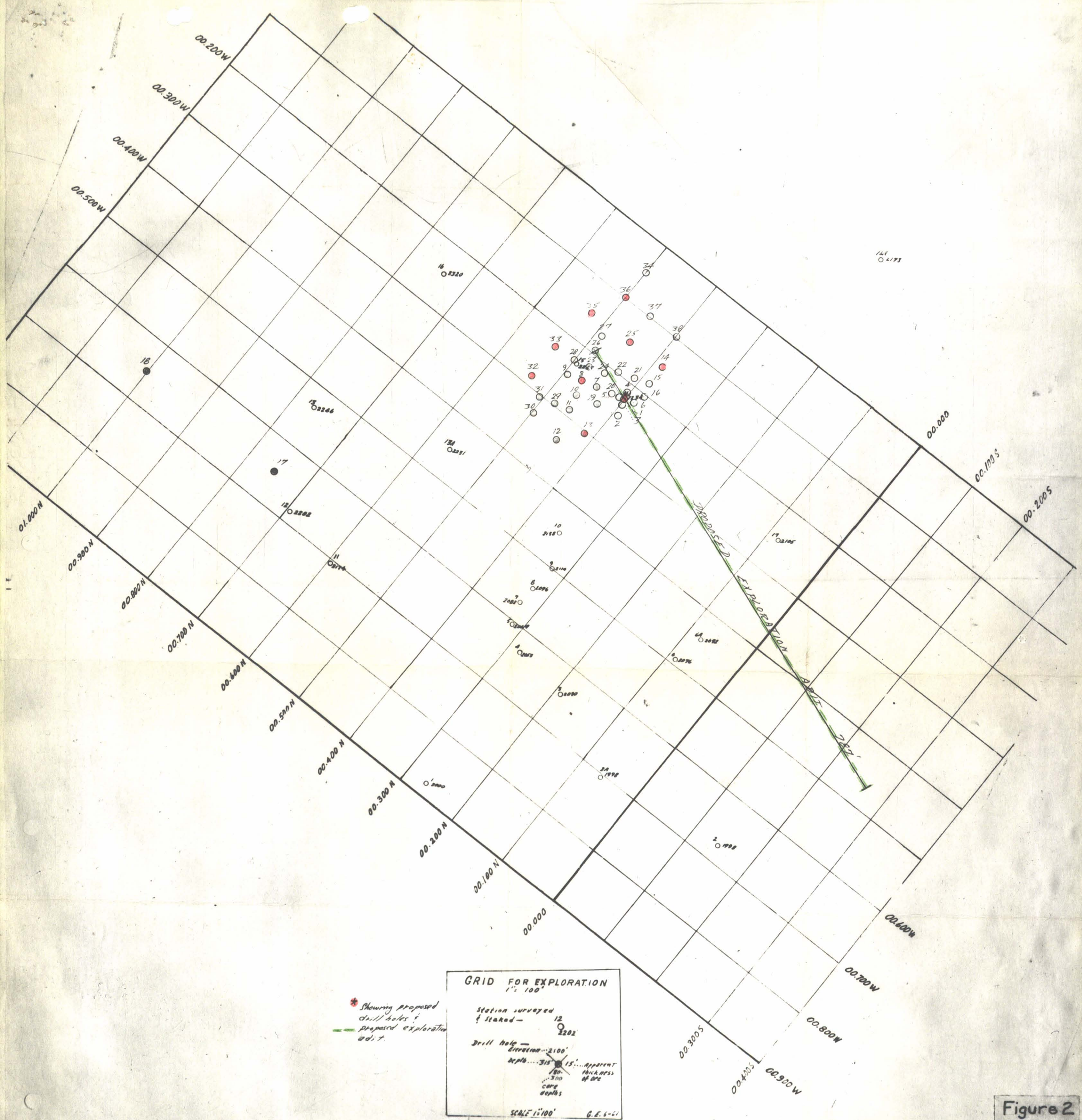
SPRINGS — 2.40 SOIL SAMPLE. MERCURY IN PARTS / MILLION.

GEOLOGIC MAP OF KEYSTONE MINE AREA

SAN LUIS OBISPO COUNTY, CALIFORNIA

APPROXIMATE SCALE 1" = 400' GEOLOGY BY M.D. ARY & M.L. WARD (October 5, 1964)

OME 6168


00.200W
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00.800N
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00.500N
00.400N
00.300N
00.200N
00.100N
00.000
00.100S
00.200S
00.300S
00.400S
PROPOSED EXPLORATION ADIT
267'
GRID FOR EXPLORATION
1" = 100'
Station surveyed & staked — 12 2202
Drill hole — Elevation ... 2100'
depth ... 315' 15' ... apparent thickness of ore
100-300 core depths
SCALE 1" = 100'
G.E. 6-61
* Showing proposed drill holes & proposed exploration adit.

Figure 2