OFFICIAL FILE	
Date	Surname
	Selfridge
9/22	Johnson

September 22, 1965

Memorandum

To: The File

From: Chief, Office of Minerals Exploration

Subject: DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm-E29
and
DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe and John Mine
San Juan County, Colorado
Contract Idm-E309

The royalty periods, 14 and 13 years, of DMA-606 and DMEA-1870, terminated June 27 and May 1, 1965, respectively. Because of the lack of payment for overpayments, royalties due, and equipment liquidation, the matter was referred to the Attorney General on April 2, 1956, who secured a judgment against Carl H. Peterson, a goodly part of which was uncollectable. The case was reopened in the spring of 1965, basically as a protective measure because there was a possibility that the judgment debtor would acquire some real property upon the death of his wife. The file was again closed because of "present uncollectibility." Through inquiry and OME-6448, there has been no recent production to date. The properties would require extensive rehabilitation for further production. In the circumstances the dockets can be closed and the sums written off, but closing letters should not be sent to either the Operator or to the lessor.

Frank E. Johnson

Frank E. Johnson

GCSelfridge/mm (9/22/65)
cc: Director's Reading File
Division File
Economic Geology File
CA&A Div.
Budget and Finance, Room 5408, Int.
Region III
120M
DMA-606
DMEA-1870
Mr. Selfridge

86

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Washington office pertaining to Contract Idm-E29, Docket DMA-606 (lead-zinc-copper), dated June 27, 1951, with

SOLICITOR

AUG 13 1965

INTERIOR

U. S. Metals Corporation
(formerly U. S. Oil and Development Corporation)
308 Mercantile Building
Denver 2, Colorado

for the purpose of determining the amount of royalty due the U. S. Government on sales of minerals from property referred to as the Henrietta Mine located in San Juan County, Colorado, during the period February 12, 1954, through September 15, 1961.

In accordance with Article 6 of Amendment No. 12 and Annex II, as amended by Amendment No. 13, royalty is payable on all minerals mined or produced from the land described in Article 2 of the contract for a period of 14 years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first. A Report of Review dated April 9, 1956, indicated accepted costs under the exploration contract amounting to $78,175.06 with the Government's contribution, on a 50 percent basis, being $39,087.53; however, due to salvage value adjustments and uncollected overpayments, the total Government contribution repayable amounts to $41,240.31.

The status of the project, the scope of review, the reasons therefor, and an explanation of the adjusted royalty due, as reflected below, are stated on page 2.

This review found that there were no sales of ore or concentrates subsequent to the period covered by a prior Royalty Audit Report and Certificate, which established the sales subject to Government royalty through February 11, 1954, to be $75,093.48. The royalty account as of that date was:

Total Royalty Due	$3,578.37
Total Royalty Paid	1,522.70
Balance of Royalty Due	$2,055.67

After adjustment for uncollectible royalty, as of September 15, 1 the royalty account of this project was found to be:

Total Royalty Due	$1,622.70
Total Royalty Paid	1,622.70
Balance of Royalty Due	$ -0-

September 18, 1961

E. D. Talbert, OME Auditor

Idm-E29 U. S. Metals Corporation

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

The project property was closed down on December 17, 1953, and last production was covered by a settlement dated February 11, 19 This was the end of the period covered by a prior Royalty Audit Report and Certificate, which found a balance of $2,055.67 due the Government in royalty.

After unsuccessful attempts by the regional and Washington offices of DMEA to collect this delinquent royalty, plus certain other amounts for overpayments and equipment equities under both this and another contract, the matter of the Operator's total indebtedness was referred on April 2, 1956, to the Attorney General of the United States.

On January 3, 1957, the United States Attorney in Denver accepted an offer by Carl F. Peterson and Walter Falk, officers of the U. S. Metals Corporation, for settlement of the indebtedness by periodical payments. As the result of default under this agreement after the initial payment, none of which was applied to the royalty indebtedness, complaint for judgment was filed against Peterson and Falk during August 1958. During the following month the Corporation was declared defunct by the Colorado Secretary of State.

Default judgment was entered on February 20, 1959, against Peterson for $8,010.29, plus costs of $37.80, applicable to this and another contract with the same Operator as follows:

	Idm-E29 DMA-606	Idm-E509 DMEA-1870	Totals
Overpayments, etc.	$4,677.78	$633.96	$5,311.74
Royalty	2,055.67	-0-	2,055.67
Claim	$6,733.45	$633.96	$7,367.41
Interest			642.88
Judgment			$8,010.29

As judgment was not enforceable because of Peterson's lack of property at that time, a transcript was filed with the County Clerk and Recorder in Denver. Complaint against Falk was dismissed on June 19, 1959, because of inability to locate and serve him.

Subsequently, collection action for the $2,055.67 past due royalty was taken against Blue Bird Mining and Milling Company under the September 21, 1954, Owner's Consent to Lien on the nine patented

and five unpatented claims under the contract. Blue Bird's liabili for royalty on past production was settled in full by the compromise acceptance of a $100.00 certified personal check dated November 10, 1960, from M. Rex Jones, the Company's president. The compromise settlement was made because of the probable lack of an enforceable claim against the Blue Bird Mining and Milling Company. The Company had been incorporated on August 4, 1952, for a twenty-year term of existence, which had not been extended. Furthermore, it was declared defunct and inoperative by the Colorado Secretary of State during 1958.

During August 1961, the Treasurer of San Juan County, Colorado, advised the Acting Field Officer, OME Region III, that the nine patented claims under the exploration project contract had been sold for taxes but no mining operations were in process.

The present status of the account for this contract and the other contract, which were consolidated in the claim and judgment, follow:

	Idm-E29	Idm-E309	Total
Royalty Expiration Dates	June 27, 1965	May 1, 1965	-
Net Government Contributions	$41,240.31	$1,808.42	$43,048.73
Royalty Payments	1,522.70	-0-	1,522.70
Repayable Balance	$39,717.61	$1,808.42	$41,526.03

The first $5,311.74 of collections, if any, under the judgment against Carl F. Peterson will reduce the above net Government contributions and collections, if any, in excess thereof up to $1,955.67 will increase the above royalty payments. In such event, the balance repayable by royalty on any future production will be reduced accordingly.

This review was made in lieu of an on-site audit of the Operator's accounts and records for the following reasons:

(1) The files disclose that there has been no production from the property other than that covered by the prior Audit Report and Certificate; and
(2) The administrative cost to the Government of an on-site royalty audit at this time would be excessive in relation to the amount of possible additional royalty which might be disclosed.

DE[illegible] MINERALS EXPLORATION ADMINI[illegible]
CONTRACT ADMINISTRATION AND AUDIT DI[illegible]

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REPORT OF REVIEW

I have reviewed the Monthly Reports of:

U. S. Metals Corporation
(formerly U. S. Oil & Development Corporation)
210 Mercantile Building
Denver, Colorado

pertaining to Exploration Project Contract No. IDm-329, Docket No. DMA-606, including Amendment Nos. 1 through 14, for the months of July 1951, to December 1953, inclusive, covering a project for the exploration of lead, zinc, and copper on property, known as the Henriette Mine located in San Juan County, Colorado.

My review included an examination of the Monthly Reports (Forms MF-104) and supporting documents attached thereto, comparison of the costs claimed with the contract and pertinent schedules, consultation with the Executive Officer of the DMEA Field Team, Region III, and a determination of the reasonableness and propriety of the costs.

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

(a) All of the accepted costs, excepting a subsequent credit for the salvage value of project equipment, were covered by an Interim Audit Report and Certificate issued by this auditor on April 12, 1954; and

(b) Due to the failure of the Operator upon termination of the contract to dispose of project equipment in accordance with contract provisions, the Administration established an estimated salvage value as evidenced by the Solicitor's letter to the Attorney General under date of April 2, 1956.

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

Total cost as billed by Contractor		$85,137.46
Less: Salvage value of equipment		4,121.06
Net cost as claimed by Contractor		81,016.40
Exceptions:		
Per Audit Report	$2,841.34	
Herewith	-0-	2,841.34
Total Accepted Cost		$78,175.06

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Thirty-nine thousand eighty-seven and 53/100 Dollars

$39,087.53

is considered valid and proper, provided that the Regional Executive Officer, the Administrator, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

Donald T. Finch

April 9, 1956

Donald T. Finch, Auditor

Greenwald
Betty

DEFENSE MINERALS EXPLORATION ADMINISTRATION

CONTRACT ADMINISTRATION AND AUDIT DIVISION

FIRST ROYALTY AUDIT CERTIFICATE

I have examined the records and sales documents pertaining to the sale of Gold, Silver, Copper, Lead and Zinc ores and concentrates for the period June 27, 1951 to February 11, 1954, by

United States Metals Corporation
(Formerly U.S. Oil & Metals Corp.)
210 Mercantile Building
1031 Fifteenth Street
Denver, Colorado

produced from the United States Metals Corporation mine in the Red Mountain Mining District, San Juan County, Colorado, and commonly known as the Henrietta Mine, under the terms of Contract Idm-E39, Docket No. DMA-606.

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

The audit established the total net sales of Gold, Silver, Copper, Lead and Zinc ores and concentrates to be $75,093.48.

Royalty due the United States Government at the contract rates ranging from 1-1/2% to 5% is $3,578.37. The royalty paid and the balance due are as follows:

Total Royalties Due	$3,578.37
Total Royalties Paid	1,522.70
Balance of Royalties Due	$2,055.67

June 22, 1955

T. H. Breading, Auditor.

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FIRST ROYALTY AUDIT REPORT

I. INTRODUCTION

On May 27, 1955, an audit of royalty payments received, covering the period June 27, 1951 to June 30, 1953, and royalty payments due, covering the period June 27, 1951 to February 11, 1954, was made of the records of ore and concentrate sales accounts pertaining to Contract Ida-839, Docket No. DMA-606 including Amendments 1 to 12, inclusive, with

United States Metals Corporation

(Formerly U.S. Oil & Metals Corp.)

210 Mercantile Building

1031 Fifteenth Street

Denver, Colorado.

covering a project of exploration for Lead, Zinc and Copper located in the Red Mountain Mining District, San Juan County, Colorado, and commonly known as the Henrietta Mine.

The records and concentrate sales accounts pertaining to this contract are located in the Denver office of the company at the address shown above.

Prior to the on-site audit considerable time was devoted to preparatory work in the DMEA office.

During the course of the audit Mr. Alfred O. Brekner, Treasurer of the Company, was consulted when necessary. His cooperation facilitated the audit.

II. GENERAL INFORMATION

At the time of this royalty audit operations were suspended. No certification of discovery or development has been made. However, Annex 2 to the contract provides for payment of royalties regardless of any certification of discovery or development, from the date of the contract until the lapse of time within which the Government may make such certification, or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first. The total costs of operations accepted by the Certifying Officer, DMEA Field Team, Region III, as of July 21, 1953 amounted to $83,319.86 with Government participation of $41,659.92.*

The exploration contract dated June 27, 1951 and Amendment No. 6 dated August 20, 1952, authorizes total costs of $113,638.34, with Government participation of $56,819.17.

*An Interim Audit Certificate issued by Donald T. Finch, DMEA Auditor, on April 12, 1954, states acceptable costs of $82,596.12 and valid payments of $41,298.06, thereby indicating an uncollected overpayment by the Government of $361.86.

Ore and concentrates produced by this operator were sold to the following concentrators:

Shenandoah Dives Mining Company, Silverton, Colorado

(Lead) American Smelting and Refining Co., Leadville, Colo.

(Zinc) American Smelting and Refining Co., Amarillo, Texas

(Lead and Zinc) United States Smelting and Refining Company
Salt Lake City, Utah

Schedule 1, attached hereto and made a part of this report, reflects a summary of ore and concentrates on which royalties have been paid to the Government, as follows:

Gross Value Net of Treatment Charges	$49,448.92
Less: Allowable Deductions	15,476.38
	$33,972.54
Royalty Percentage	1.5% to 5%
Total Royalty Due	$1,522.33
Total Royalties Received	1,522.70
Royalties Overpaid	.37

A detail of royalty payments is filed as part of my audit working papers.

Schedule 2, attached hereto and made a part of this report, shows details of settlement sheets submitted on which royalty payments have not been made.

SUMMARY

	SCHEDULE 1	SCHEDULE 2	TOTAL
Net Value	$33,972.54	$41,120.94	$75,093.48
Royalty Percentage	1.5% to 5%	5%	—
Royalties Due	$1,522.33	$ 2,056.04	$3,578.37
Royalties Paid	1,522.70	—	1,522.70
Balance	.37	$ 2,056.04	$2,055.67

The first thirteen shipments of ore were made to the Shenandoah Dives Mining Company, Silverton, Colorado. This company forwarded settlement sheets, with checks covering royalty in the amount of $458.18 which was $19.20 in excess of the amount of royalties due.

On November 9, 1953, W. H. King, Executive Officer, DMEA Field Team, Region IV (now Region III) received the Operator's check in the amount of $36.93, which purported to cover shipments of concentrates, Lots T-1 through T-7, for lead concentrates and Lots 1 through 4 for zinc concentrates. According to the dates on the settlement sheets, these shipments were made from May 29, 1953 through July 31, 1953. In his letter to the Operator, Mr. King pointed out that the Exploration Project Contract provided that the Operator was obligated to pay royalty on the proceeds realized from ore, concentrates or metals produced. The shipments covered by the aforementioned settlement sheets were sold in the form of concentrates; therefore, the net value of the concentrates sold was the basis to be used in determining the royalty rate and amount. Attached to this letter was a statement showing that the royalty due on these shipments amounted to $1,084.05.

On November 14, 1953, Mr. Alfred O. Brehmer, Treasurer of the Company, wrote a letter to W. H. King asking for a ruling on how to figure royalties on net smelter returns when material was shipped in the form of concentrates. In this letter Mr. Brehmer went on to explain that according to his interpretation of the contract, royalty was based on the value of ore produced, not on the value of concentrates sold. Mr. King referred the matter, together with a copy of Mr. Brehmer's letter, to the Administrator, DMEA, on November 24, 1953. In an undated letter which was forwarded to the Chairman of the Operating Committee on December 7, 1953, Mr. Alfred O. Brehmer, Treasurer of the Company returned Amendment No. 10 unsigned, as the Company objected to the provisions in Annex 1 (attached to and made a part of the Amendment,) regarding payment of royalties. On December 21, 1953 the Chairman of the Operating Committee replied to Mr. King's letter of December 7, 1953. This letter stated that the Operator had erroneously interpreted the contract, and that he was obligated to pay royalty based on the value of the concentrates sold.

On February 26, 1954, Mr. W. H. King wrote a letter to Mr. Carl Peterson, Secretary of the Company, to which was attached a statement showing that the balance due the Government for royalties, covered by settlement sheets submitted to his office, amounted to $1,064.15. Payment of this amount together with three additional copies of each settlement sheet was requested.

On May 19, 1954, Mr. W. H. King wrote to Mr. Carl Peterson, Secretary of the Company, advising him that before Amendment No. 10 could be processed, it would be necessary for the Company to remit the balance of $1,064.52 on royalties due, and also to submit settlement sheets on shipments subsequent to June, 1953. On June 8, 1954, Mr. King wrote to Mr. Carl Peterson, acknowledging receipt of two checks totaling $1,064.52, and directing attention to the fact that the amount due was $1,064.15 and that the overpayment of $0.37 could be deducted from the next royalty payment. In this letter request was again made that four copies of all settlement sheets covering shipments of ore or concentrates subsequent to July 31, 1953, be forwarded to the Executive Officer, Region IV (now Region III.)

Subsequent to June 8, 1954 and prior to April 18, 1955 settlement sheets as listed on Schedule 2 were received from the Operator. On that date Mr. Brehmer submitted a statement showing that the United States Metals

Corporation was indebted to the Government for royalties in the amount of $2,046.03. This statement covered the same shipments as listed on Schedule 2, attached.

The records of the company pertaining to ore sales are not very clear. An account is maintained in the General Ledger, captioned "Ore Sales - Surprise Stope." After considerable checking of amounts shown on Settlement Sheets with the Cash Received record, and memorandum analysis, the amount of $2,055.67 shown as due per summary in this report was reconciled with the amount shown in the General Ledger account. Mr. Alfred O. Brehmer, Treasurer of the Company, acknowledged to this auditor that the total balance due of $2,055.67 was substantially correct. The difference between this amount and the amount shown on the statement submitted by Mr. Brehmer ($2,046.03) or $9.64, was due to the Operator's claiming allowance not approved by this auditor.

III SCOPE OF AUDIT AND FINDINGS

The audit was limited to determining the accuracy and propriety of royalty payments received by the Finance Officer during the period June 27, 1951 to July 31, 1953, the verification of the balance due on royalties covering shipments made by the Operator for the period June 27, 1951 to February 11, 1954, and a determination that all indicated sales of ore and concentrates subject to repayment royalties under the exploration contract and amendments, for which settlement sheets had been released, have been accounted for properly.

(A) Conference With Mining Engineer

Conference with C. M. Harrar, Mining Engineer, who made a check on the project recently, disclosed the following:

The Operator does not stockpile ore subject to royalty repayments; nor does he commingle production subject to DMEA royalty with exempt production.

The Operator does not stockpile mine or mill rejects (low grade ore, tailing, middlings, etc.) that may have a potential value within the royalty payment period.

Examination of settlement sheets during the audit disclosed that frequent umpire assays were made of ore sales. The assay controls governing ore sales are considered adequate by Mr. Harrar.

Prices paid to the Operator by American Smelting and Refining Company, Arkansas Valley Plant and Amarillo plant, and the United States Smelting, Refining and Mining Company were checked to Smelter schedules obtained from these companies. Prices paid by Shenandoah Dives Mining Company are listed on individual settlement sheets. All prices are considered to be reasonable and equitable. Mr. Harrar is of the opinion that the operator is disposing of production in such a manner that the Government is getting its fair royalty returns, and further that the Operator is properly reporting his production of ores subject to DMEA royalties.

(B) Audit Findings

During the audit a statement of royalty payments received was prepared from copies of settlement sheets received by the Executive Officer, Region IV (now Region III). This information is shown on Schedule 1 (in condensed form) attached hereto and made a part of this report. Schedule 2, attached hereto and made a part of this report, reflects the results of audit of royalty payments due, and not paid at the time of this audit. A discussion of the data and degree of confirmation follows:

Gross Weight in Pounds

Gross Weight in pounds represents the total weight in pounds shown on the settlement sheets.

Dry Weight in Pounds

This weight is shown on the settlement sheets and represents the gross weight minus pounds of water content. All calculations of net weight were recomputed during the audit.

Dry Weight - Tons

This weight was verified by computation during the audit.

Gross Value - Net of Treatment Charges

Gross value is shown on the settlement sheets. It is determined by applying the price shown on Smelter's Price Schedule to the assay data shown on the settlement sheet to determine the price paid for each metal; viz. Gold, Silver, Lead, Zinc and Copper. To arrive at the gross value per ton, the prices for each metal were totaled and the net scheduled treatment charges deducted from this amount. Gross Value (Net of Treatment Charges) of the lot was determined by multiplying gross value per ton net of treatment charges by number of dry tons. All of the foregoing calculations were recomputed for all settlement sheets during the audit.

Deductions Allowed

Deductions allowed as listed on settlement sheets as being paid by the purchaser, are shown in the following summary:

	SCHEDULE 1	SCHEDULE 2
Trucking	$ 6,289.19	$3,844.53
Freight	4,532.07	3,864.84
Milling	4,434.69	
Sampling & Moisture	102.43	48.00
Umpire	118.00	42.00
TOTAL	$15,476.38	$7,799.37

Net Value

Gross Value Net of Treatment Charges less Deductions Allowed equals Net Value, and is the basis for calculating royalties due.

Net Value Per Dry Ton

This figure is not shown on the settlement sheets and is arrived at by dividing the Net Value by number of Tons, Dry Weight. All calculations were computed during the audit.

Royalty Percentage

This figure is determined by application of schedule in contract to net value per dry ton. On Schedule 1, percentage varied from 1.5% to 5%, dependent on the net value per dry ton. On Schedule 2, in all cases the net value per dry ton was in excess of $11.00; therefore, the royalty percentage in all instances was 5%.

Royalty Due

On both schedules this amount was determined by multiplying net value by related royalty percentage. All calculations were verified during audit.

Royalties Received - Schedule 1

This figure is shown on individual settlement sheets. All calculations were verified during course of the audit. The total amount shown as received was reconciled with the amount shown on Finance Officer's records.

CONCLUSIONS

Summary of sales of concentrates and ore subject to DMEA royalties follows:

	SCHEDULE 1	SCHEDULE 2	TOTAL
Net Dry Weight, Pounds	3,223,054	868,155	4,091,209
Tons Dry Weight	1,611.5270	434.0755	2,045.6025
Gross Value Net of Treatment Charges	$49,448.92	$48,920.31	$98,369.23
Deductions Allowed	$15,476.38	$ 7,799.37	$23,275.75
Net Value	$33,972.54	$41,120.94	$75,093.48
Royalty Percentage	1.5% to 5%	5%	—
Royalties Due	$ 1,522.33	$ 2,056.04	$ 3,578.37
Royalties Received	$ 1,522.70	—	$ 1,522.70
Balance of Royalties Due	.37	$ 2,056.04	$ 2,055.67

This audit has confirmed the accuracy and propriety of the royalty payments received by the Finance Officer, and of the royalty payments due, for the period June 27, 1951 to February 11, 1954. It also has determined that all indicated sales of concentrates subject to DMEA royalties under the exploration contract and amendments, for which settlement sheets have been received, have been accounted for properly, as set forth in the foregoing tabulation, and Schedules 1 and 2 attached.

June 22, 1955

T. H. Brading, Auditor.

SCHEDULE 1

UNITED STATES METALS CORPORATION

CONTRACT IDM-429, DOCKET NO. DMA-606

SUMMARY OF SMELTER PAYMENTS

June 27, 1951 to July 31, 1953

	SHENANDOAH DIVES MINING COMPANY	AMERICAN SMELTING AND REFINING CO. Leadville	AMERICAN SMELTING AND REFINING CO. Amarillo	TOTAL
Gross Weight Pounds	2,557,280	350,540	397,800	3,305,620
Net Weight Pounds	2,534,112	325,053	363,889	3,223,054
Tons	1,267.056	162.5265	181.9445	1,611.5270
Gross Value Net of Treatment Charges	$22,180.68	$18,721.42	$8,546.82	$49,448.92
Deductions Allowed	$ 9,875.15	$ 2,721.17	$2,880.06	$15,476.38
Net Value	$12,305.53	$16,000.25	$5,666.76	$33,972.54
Net Value per Ton	-	-	-	
Royalty Per Cent	1.5 - 5	5	5	
Due	$438.98	$800.01	$283.34	$1,522.33
Received	$458.18	$1,064.52		$1,522.70
OVERPAID				.37

SCHEDULE 2

UNITED STATES METALS CORPORATION

CONTRACT I-DMA-E29

SUMMARY OF SMELTER PAYMENTS

DOCKET NO. DMA-606

JUNE 27, 1951 TO FEBRUARY 11, 1954

Purchaser	Date of Sale	Lot No.	Gross Wt. In Pounds	Dry Weight Pounds	Dry Weight Tons	Gross Value Net of Treatment Chgs.	Deductions Allowed	Net Value	Net Value Dry Ton	Royalty %	Royalty Due
A.S.&R. - Leadville	9/21/53	T-10	78,960	73,512	36.756	$ 5,738.35	$ 584.08	$ 5,154.27	$140.23	5	$ 257.71
" "	10/6/53	L-9	80,020	74,379	37.1895	6,151.77	590.72	5,561.05	149.53	5	278.05
" "	12/3/53	SC-1	19,780	19,582	9.7910	1,727.23	181.65	1,545.58	157.86	5	77.28
" "	12/10/53	2	20,040	19,840	9.920	1,727.67	193.85	1,533.82	154.62	5	76.69
" "	1/7/54	SC-3	20,200	19,998	9.999	1,837.32	193.21	1,644.11	164.43	5	82.21
" "	1/28/54	L-18	32,360	30,354	15.177	2,513.31	255.70	2,257.61	148.75	5	112.88
" "	2/10/54	4	22,280	22,057	11.0285	1,738.53	203.70	1,534.83	124.67	5	76.74
TOTALS			273,640	259,722	129.8610	$21,434.18	$2,202.91	$19,231.27	148.09		$ 961.56
A.S.&R. - Amarillo	10/1/53	Z-6	92,420	84,102	42.051	$ 1,511.73	$ 767.14	$ 744.59	$ 17.71	5	$ 37.23
	9/29/53	Z-7	100,500	91,656	45.828	1,958.69	[illegible]	1,124.84	24.54	5	56.24
TOTALS			192,920	175,758	87.879	$ 3,470.42	$1,600.99	$ 1,869.43	$ 21.27	5	$ 93.47
U.S. S.R.&M. Co.	1/6/54	L-16	96,140	89,890	44.945	$ 8,512.58	$ 672.38	$ 7,840.20	$174.41	5	$ 392.01
" " "	1/12/54	Z-11 & CF-1	77,380	69,518	34.759	1,731.69	739.26	992.43	38.55	5	49.62
" " "	1/28/54	L-17	109,540	101,872	50.936	8,631.61	752.21	7,879.40	154.69	5	393.97
" " "	2/1/54	Z-12 & CF-1	91,960	82,727	41.3635	2,577.77	878.34	1,699.43	41.09	5	84.97
" " "	2/11/54	Z-13 & CF-2	97,760	88,668	44.334	2,562.06	953.28	1,608.78	36.28	5	80.44
TOTALS			472,780	432,675	216.3375	$21,615.71	$3,995.47	$20,020.24	$ 93.38		$1,001.01
SUMMARY TOTALS			939,340	868,155	434.0775	$48,920.31	$7,799.37	$41,120.94			$2,056.04

Check Sheet of Accompanying Engineer

Operator's Name U. S. Metals Corporation

Address 205 Mercantile Building

Denver, Colorado

Exploration Contract No. Idm-E29 Docket No. DMA 606

Date May 24, 1955

		Check One Yes	Check One No
1. (a)	Does the Operator stockpile ore subject to royalty repayment?		X
(b)	If so, is segregation and identification procedure adequate?		
2. (a)	Does Operator co-mingle production subject to DMEA royalties with exempt production?		X
(b)	If so, do you consider the allocation of the co-mingled production equitable?		
3. (a)	Does the Operator stockpile mine or mill rejects (low grade ore, tailing, middlings, etc.) that may have potential value within the royalty payment period?		X
(b)	If so, are adequate records maintained on such material to protect the Government's interest?		
4.	Do you consider the assay controls in effect are adequate?	X	
5.	Do you consider that the manner of disposing of production gives the Government its fair royalty returns?	X	
6.	Do your periodic examinations of operations indicate the Operator is properly reporting his production of ores subject to DMEA royalties?	X	
7.	Comment on any item 2 to 6 if answer is No.		

C. M. Harper

Mining Engineer

67958

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

3rd INTERIM AUDIT CERTIFICATE

I have examined the records and transactions of:

U. S. Metals Corporation
(Formerly U. S. Oil and Metals Corporation)
210 Mercantile Building
1031 - 15th Street
Denver, Colorado

pertaining to Exploration Contract Idm-E29, Docket DMA No. 606 including Amendments Nos. 1 through 9, covering a project of exploration for Lead, Zinc, Copper, located about 10 miles from Silverton, Colorado, in the Red Mountain Mining District, San Juan County, Colorado, and commonly known as the Henrietta Mine, for the period July 27, 1951 to December 31, 1953.

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

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

Total Cost per MF-104		$85,437.46
Exceptions (See Audit Report for details)		
During this Audit	$2,841.34	
Prior to this Audit	None	2,841.34
Total Accepted Cost		$82,596.12

The contract calls for a 50 per cent participation of exploration expenses by the United States Government. Therefore, payment to the Contractor by the Government in the amount of Forty-one Thousand two hundred ninety-eight and 06/100ths dollars

$41,298.06

is valid and proper.

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

Dated: April 12, 1954

Donald J. Ferrel
Auditor

3rd Interim Audit Report

I Introduction

A third interim Audit was made on March 29 to April 5, 1954 (covering the period July 27, 1951 to December 31, 1953) of the records of operations pertaining to Contract No. Idm-E29, Docket No. DMA 606 and Amendments Nos. 1 through 9, with the

U. S. Metals Corporation
(Formerly U. S. Oil and Metals Corporation)
210 Mercantile Building
1031 - 15th Street
Denver, Colorado

covering a project of exploration for Lead, Zinc, Copper, located about 10 miles from Silverton, Colorado, in the Red Mountain Mining District, San Juan County, Colorado, and commonly known as the Henrietta Mine.

The accounting records under the contract are in the Denver Office of the company at the above address. During the course of the audit Mr. Walter A. Falk, Chairman of the Board, Mr. Carl H. Peterson, Secretary, and Mr. Alfred O. Brehmer, Treasurer, were consulted when necessary.

Mr. W. L. Dare, Mining Engineer, collaborated in the audit.

II General Information on Records

The original records covering the costs of this project are recorded on monthly summary sheets which form the basis for preparation of the monthly MF-104 reports. This audit, therefore, involved in general a check of original invoices, warehouse withdrawals, and payrolls against the monthly summary sheets and reconciliation with the monthly MF-104 reports. Costs were recorded on a combination of cash and accrual basis.

Prior to the on-site audit, considerable pre-audit analysis was performed in the DMEA Office at Denver, Colorado.

III Scope of Audit and Findings

The audit was limited to ascertaining the accuracy, propriety and validity of the costs as shown in the "Totals to Date" column of Form MF-104, Operator's Monthly Report and Voucher for December, 1953.

In view of the previous audits by Donald T. Finch, DMEA Auditor, covering the period July 27, 1951 to August 31, 1952, except as otherwise indicated this audit was restricted to the costs claimed by the Operator since that later date.

The extent of the audit and findings under each of the "Items of Cost" follows:

(1) Independent Contracts

There were no sub-contracts applicable to this project. Amounts shown by the Operator on its MF-104 reports as Independent Contracts were applicable to methods of payment to mine crews on the basis of footage advance which was authorized in Exhibit D, Page 4 of Amendment No. 6 to the Exploration Contract. The distribution of labor has been corrected in this Audit Report.

(2) Labor and Supervision

(a) Labor

All charges for labor during the period September 1, 1952 to December 31, 1953 were supported by daily time reports submitted by the Mine Superintendent which were summarized on monthly payroll sheets. All of these charges and computations were examined in detail by the Mining Engineer and the Auditor. Rates were found to be within the limits authorized by Amendment No. 6 to the Exploration Contract. All charges claimed for compensation of labor on a footage advance basis were recomputed. Payroll summaries and extensions were also proven during the Audit.

Labor not applicable to the Exploration Contract totalling $1,113.76 is disallowed by this audit. Exhibit A attached to and made a part of this Audit Report is an itemized list of labor disallowances. This list was reviewed in detail with Mr. Alfred O. Brehmer, Treasurer of the Operator, who agreed with the disallowances. Analysis of the acceptable charges for labor follows:

Balance per previous audit	$18,991.22
Less: Transfer this audit to "Roads and Trails" authorized by Amendment No. 6	1,626.74
	$17,364.48
Period September 1, 1952 to December 3, 1953	12,751.34
Acceptable Total Labor Charges, December 31, 1953 - -	$30,115.82

(b) Supervision

All charges for supervision for the period September 1, 1952 to December 31, 1953 were checked in detail to monthly payrolls. Charges for supervision represented the allocated portion of the Superintendent's salary at the rate authorized by the Exploration Contract. The method of allocation used was on an average man day basis. The audit disclosed the following disallowances of Supervision charges which are considered applicable to the Operator's activities not covered by the Exploration Contract.

October 1952:	Total salary $500.00 which should have been distributed 1/3 Exploration and 2/3 Mining (Operator claimed $250.00) Disallow ($250.00 less $166.66)	$83.34

November 1952:	See Explanation October, above	$83.34
December 1952:	See Explanation October, above	83.34
May 1953:	Total salary $500.00 which should have been distributed 1/3 Exploration, 2/3 Mining. (Operator claimed $500.00) Disallow 2/3 of $500.00	333.34
October 1953:	Operator claimed $75.00 for last week in October. Should have claimed $37.50. Disallow	37.50
Total Audit disallowances of Supervision Charges		$620.86

The foregoing disallowances were reviewed in detail with Mr. Brehmer, Treasurer, who agreed with them.

The acceptable charges for supervision shown in the following analysis are considered reasonable by the Executive Officer, the Mining Engineer, and the Auditor:

Balance per Previous Audit		$4,400.00
Period September 1, 1952 to December 31, 1953		
To Joseph Trudgeon, Superintendent	$1,541.62	
To Walter L. Bentley, Superintendent	552.50	2,094.12
Total Acceptable Supervision December 31, 1953		$6,494.12

(c) Technical Services

Not applicable to this Contract

(3) Operating Materials and Supplies

All charges for Operating Materials and Supplies for the period September 1, 1952 to December 31, 1953 were supported by invoices which were examined in detail for amounts, propriety, and reasonableness. The company does not maintain a complete stores system and with the exception of explosives and timber, items of Operating Materials and Supplies are charged direct to the applicable operations. Explosives are purchased in ton lots, and timber in large quantities. These items are charged out when used at average cost without any markup. This is the same basis used by the Operator in charging its other operations.

Charges for electric power during the period September 1, 1952 to December 31, 1953 were supported by invoices which were examined. The power charges were distributed 50% to Exploration and 50% to Mining. An analysis by the Mining Engineer, concurred in by the Auditor, discloses this allocation to be reasonable and equitable.

An overcharge for explosives of $1.27 on the MF-104 for May, 1953, due to an error in arithmetic is disallowed in this audit.

Charges for power allocated from power bills covering the periods May 14 to June 13, 1953 and June 14 to July 13, 1953 in the total amount of $90.14 are disallowed because the amounts are applicable to periods of recess of operations under the Exploration Con-

tract. The Operator and Executive Officer of the DMEA Field Team, Region IV, concur in this disallowance.

An analysis of the acceptable cost of Operating Materials and Supplies follows:

	Balance per Previous Audit	Period Sept. 1, 1952 to Dec. 31, 1953	Accepted Totals
Timber	$606.52	$1,493.89	$2,100.41
Explosives	173.18	991.82	1,165.00
Pipe	4,031.01	170.00	4,201.01
Track	3,325.13	159.02	3,484.15
Power	353.20	1,002.76	1,355.96
Sub-Total	$8489. 04	$3,817.49	$12,306.53
Other Supplies			
Vent Tubing	1,300.00	671.86	1,971.86
Transportation(Jeep & Truck expense)	2,293.05	642.24	2,935.29
Small tools and miscellaneous supplies, such as nails, sundry hardware, nuts, bolts, pick and shovel handles, fittings, etc.	310.39	121.41	431.80
Welding Supplies	479.96	187.89	667.85
Drill Steel and Conditioning	497.51	194.75	692.26
Diesel Fuel,Prestone,Oils & Greases	2447.22	957.99	3,405.21
Total Other Supplies	$7,328.13	$2,776.14	$10,104.27
Total Operating Materials and Supplies	$15,817.17	$6,593.63	$22,410.80

(4) Operating Equipment

(a) Rental

All charges for equipment rental during the period September 1, 1952 to December 31, 1953 were supported by invoices which were examined. These charges were for lamp rentals authorized in Amendment No. 8 to the Exploration Contract. An overcharge of $3.33 on the MF-104 report for March 1953 is disallowed and of $10.92 for lamp rental applicable to a period of recess in operations under the Exploration Contract. The acceptable cost of Lamp rental amounts to $97.51 and represents the authorized rental of $1.79 per lamp per month when used on the project.

(b) Purchases

All charges for purchases of operating equipment during the period September 1, 1952 to December 31, 1953 were supported by invoices which were examined. These purchases were items authorized by Exhibit C of Amendment No. 6 to the Exploration Contract. Analysis of this element of cost follows:

Period July 27, 1951 to August 31, 1952

Compressor	$3,500.00	
Electric Motor	100.00	
Wheelbarrow	35.00	
Socket Wrenches	61.68	
Electric Drill	46.25	
Welding Outfit	142.49	
Rail Bender	90.20	
Power Saw	138.72	
Bench Grinder	60.80	
Fire Extinguishers	104.20	
Tramaire	1,681.40	
*Jackhammer & Leg	416.50	
Galvanometer	22.70	
Balance per Previous Audit		$6,400.14

Period September 1, 1952 to December 31, 1953

*Balance on Jackhammer & Leg	122.45	
2 Sutorbilt Blowers with Motor	1,244.40	1,366.85
Acceptable cost of equipment purchased as of December 31, 1953		$7,766.99

(c) Depreciation

Not applicable.

(5) Initial Rehabilitation and Repairs

There were no claimed charges for Initial Rehabilitation and Repairs during the period September 1, 1952 to December 31, 1953.

According to a letter from the Operator to the Executive Officer, DMEA Field Team dated October 6, 1953, the amount includes the following charges for new parts for the R.D.14 Caterpillar Tractor that were never used:

7 Track Rollers @ $98.65	$690.55	
20 Pads for same @ 6.48	129.60	
Total		$820.15

These parts should have been returned for credit. The Exploration Contract and Amendment No. 6 thereto provided for the necessary initial repair of the tractor but does not provide for a standby inventory of Repair Parts. Such standby inventory is not considered necessary because of the relative proximity to suppliers.

The above amount of $820.15 is disallowed. The Executive Officer of the DMEA Field Team, Region IV, concurs in this disallowance and Mr. Brehmer, Treasurer of the Operator, agrees to it for the Operator.

The accepted amount for Initial Rehabilitation and Repairs as adjusted by the foregoing disallowance is $4,635.33.

(6) New Buildings and Improvements

There were no claimed charges for New Buildings and Improvements during the period September 1, 1952 to December 31, 1953. Analysis of the amount is as follows:

Surface Buildings		
Materials and Supplies	$1,215.77	
Labor and Supervision	2,106.87	$3,322.64
Power Line Extension		
Materials and Supplies	$103.68	
Labor	280.90	384.58
Acceptable total		$3,707.22

(7) Miscellaneous

(a) Repairs to Equipment:

All charges for repairs to equipment during the period September 1, 1952 to December 31, 1953, were supported by invoices which were examined during the audit for amounts, propriety, and reasonableness.

Analysis of the amount follows:

	Balance per Previous Audit	Period Sept. 1, 1952 to Dec. 31, 1953	Accepted Totals
Compressor	$449.06	$40.52	$489.58
Mucking Machine	323.75	-	323.75
Slusher	71.70	-	71.70
Drills	174.34	219.10	393.44
Chain Saw	-	35.97	35.97
Accepted Totals	$1,018.85	$295.59	$1,314.44

(b) Payroll Taxes

All charges for Payroll Taxes for the period September 1, 1952 to December 31, 1953, were confirmed by recomputation, using rates that the Operator's files indicated as being in effect. These rates were F.I.C.A. 1.5%, F.U.C.A. 3/10% and Colorado State Unemployment 2.7%.

The following disallowances of Payroll Taxes are applicable to Labor and Supervision disallowed either by the Certifying Officer or by this audit.

	F.I.C.A.	F.U.C.A.	Colo.State Unemployment	Total
Labor disallowed by Certifying Officer, adjusted by Operator amounted to $946.18	$14.19	None Claimed	$25.54	$39.73
Labor and Supervision disallowed by this audit amounted to $1734.62.	26.01		46.83	72.84
Labor and Supervision disallowed by audit upon which Operator claimed F.U.C.A. amounted to $356.35	-	$1.07	-	1.07
Total disallowances of Payroll Taxes made by audit	$40.20	$1.07	$72.37	$113.64

Analysis of the Acceptable Payroll Taxes follows:

	Balance per Previous Audit	Period Sept. 1, 1952 to Dec. 31, 1953	Accepted Totals
F.I.C.A.	$173.69	$246.18	$419.87
F.U.C.A.	None claimed	40.61	40.61
Colorado Unemployment	427.25	599.06	1,026.31
Accepted Totals	$ 600.94	$885.85	$1,486.79

(c) Liability Insurance

All charges for Workmen's Compensation and Occupational Disease Insurance during the period September 1, 1952 to December 31, 1953, were confirmed by recomputation using rates which the Operator's files indicated as being in effect. These rates were 2.51% of applicable payroll except for the month of December 1953 when the rate was increased to 3.074%.

The following disallowances of Liability Insurance are made by this audit:

Labor disallowed by Certifying Officer and for which the Operator had adjusted the labor account amounted to $946.18. Insurance at 2.51% disallowed.	$23.74
Labor and Supervision disallowed by audit amounted to $1,734.62, Insurance disallowed at 2.51%	43.53
Total Liability Insurance disallowed	$67.27

The acceptable charges for liability insurance consisted of the following:

Balance per previous audit	$740.22
Period September 1, 1952 to December 31, 1953	400.14
Acceptable Total	$1,140.36

(d) Roads and Trails

Amendment No. 6 to the Exploration Contract provided, among other things, for the construction and maintenance of access roads and trails as approved by the DMEA Field Team.

A letter to the Operator from the Executive Officer, DMEA Field Team, Region IV dated September 26, 1952 limited the total expenditures for this purpose to $3,226.74.

All charges for Roads and Trails during the period September 1, 1952 to December 31, 1953 were supported by payrolls or invoices which were examined. Analysis of the account follows:

Balance at time of previous audit		$1,626.74
Period September 1, 1952 to December 31, 1953		
Labor	$1,041.92	
Cat. Repairs & Supplies	558.08	1,600.00
Acceptable Total December 31, 1953		$3,226.74

IV Conclusions and Recommendations

The totals to date on the Operator's MF-104 A Report for December 1953 agree with the totals to date on the companion MF-104 Report. It is recommended the disallowances set forth in this audit report be reflected by the Operator on the MF-104 A Report.

This audit has disclosed that all costs as charged to this project with the exception of the disallowances itemized under:

(2)(a) Labor
(2)(b) Supervision
(3) Explosives
(3) Power
(4)(a) Operating Equipment, Rental
(5) Initial Rehabilitation and Repairs
(7)(b) Payroll Taxes
(7)(c) Liability Insurance

of the preceding section of this report, are reasonable and proper under the terms of the Contract, including Amendments Nos. 1 through 9.

The adjustments between Items of Costs, as shown on the December 1953, MF-104, the recommended disallowances, and approved amounts, are summarized as follows:

	Totals To date December 1953 MF-104	Distri-bution Corrected	Dis-allowed by Audit	Accepted Totals December 28, 1953
Independent Contracts				
Surprise Drift	$ 923.02			
Raise	219.38			
Rehabilitation Lateral	3851.08			
Drifting Rehabilitation	6788.84			
Labor & Supervision				
Labor	22,115.92	31,229.58	1113.76	30,115.82
Supervision	7114.98	7114.98	620.86	6494.12
Technical Services	--			
Operating Materials & Supplies				
Timber	1871.82	2100.41		2100.41
Explosives	893.29	1166.27	1.27	1165.00
Pipe	4151.42	4201.01		4201.01
Track	3325.13	3484.15		3484.15
Power	1446.10	1446.10	90.14	1355.96
Other	6061.54	10,104.27		10,104.27
Operating Equipment				
Rental		111.76	14.25	97.51
Purchase	7766.99	7766.99		7766.99
Depreciation	--			
Initial Rehabilitation & Repairs	5655.48	5655.48	820.15	4835.33
New Buildings & Improvements	3707.22	3707.22		3707.22
Miscellaneous				
Repairs to Equipment	1829.54	1314.44		1314.44
Sampling & Analysis	--			
Payroll Taxes	887.33	1600.43	113.64	1486.79
Liability Insurance	1207.63	1207.63	67.27	1140.36
Colorado Unemployment Tax	713.10			
Vent Tube	1971.86			
Transportation	2935.79			
Roads and Trails		3226.74		3226.74
Totals	$85,437.46	$85,437.46	$2841.34	$82,596.12

At the conclusion of the audit the findings were discussed with the Treasurer of the Operator, Mr. Alfred O. Brehmer, and with the Executive Officer of the DMEA Field Team, Region IV.

Mr. Brehmer agreed to adjust the Operator's records to reflect the recommended disallowances. The Executive Officer of the Field Team concurs in these disallowances.

Dated: April 12, 1954

Donald T. Finch

Donald T. Finch, Auditor

U. S. METALS CORPORATION

Contract Idm-E29

Docket DMA-606

E X H I B I T "A"

Payroll Deletions

Date		Hours	Rate	Amount
September 1952				
8.	Herbert Grey (Not Exploration work)	8	$1.50	$12.00
9.	Herbert Grey (" " ")	8	1.50	12.00
10.	Herbert Grey (" " ")	4	1.50	6.00
12.	Herbert Grey (" " ")	8	1.50	12.00
12.	Tom Thompson (" " ")	8	1.50	12.00
12.	Edward Miller(" " ")	8	1.50	12.00
13.	Herbert Grey (" " ")	8	1.50	12.00
13.	Tom Thompson (No indication where worked)	8	1.50	12.00
13.	William Bevans (Not Exploration work)	8	1.50	12.00
13.	Edward Miller (" " ")	8	1.50	12.00
15.	Tom Thompson (" " ")	4	1.50	6.00
16.	Herbert Grey (" " ")	8	1.50	12.00
21.	Charles Moore (No indication where worked)	4	1.50	6.00
22.	Pum A. Rice (Not Exploration work)	8	1.50	12.00
23.	Herbert Grey (" " ")	8	1.50	12.00
23.	Pum A. Rice (" " ")	8	1.50	12.00
24.	Herbert Grey (" " ")	8	1.50	12.00
24.	Pum A. Rice (" " ")	8	1.50	12.00
24.	Blas Rodman (" " ")	4	1.50	6.00
25.	Herbert Grey (" " ")	8	1.50	12.00
25.	Pum A. Rice (" " ")	8	1.50	12.00
26.	Pum A. Rice (" " ")	4	1.50	6.00
26.	Earl LeRoy Daniels (Not Exploration work)	4	1.50	6.00
30.	Charles Moore (No indication where worked)	4	1.50	6.00
October 1952				
1.	Herbert Grey (No indication where worked)	8	1.50	12.00
1.	Charles Witham(" " " ")	4	1.50	6.00
2.	Charles Witham(" " " ")	8	1.50	12.00
3.	Charles Moore (Not Exploration work)	1-1/3	2.00	2.67
3.	Charles Witham(No indication where worked)	8	1.50	12.00
11.	Charles Moore (Not Exploration work)	1-1/3	2.00	2.67
16.	Charles Setterquist (Mining on Hercules)	4	1.50	6.00
21.	Charles Moore (Not Exploration work)	1-1/3	2.00	2.67
23.	Sam Talbott (" " ")	4	1.75	7.00
24.	Sam Talbott (" " ")	4	1.75	7.00
25.	Charles Moore (" " ")	1-1/3	2.00	2.67
25.	Sam Talbott (" " ")	4	1.75	7.00
27.	Charles Moore (" " ")	1-1/3	2.00	2.67
27.	Sam Talbott (" " ")	4	1.75	7.00
28.	Sam Talbott (" " ")	4	1.75	7.00

		Hours	Rate	Amount
November 1952				
20.	Ivan Adee (Not Exploration work)	8	$1.50	$12.00
December 1952				
	Charles Moore (Not Exploration work)	1	2.00	2.00
February 1953				
16.	William Roper (Not Exploration work)	4	1.75	7.00
17.	Charles Moore (" " ")	4	2.00	8.00
23.	Charles Moore (" " ")	4	2.00	8.00
24.	Charles Moore (" " ")	4	2.00	8.00
25.	Charles Moore (" " ")	4	2.00	8.00
26.	Charles Moore (" " ")	4	2.00	8.00
27.	Charles Moore (" " ")	4	2.00	8.00
28.	Wagner & Young (Overcharge Contract work)	-	-	10.00
March 1953				
6.	Charles Moore (Not Exploration work)	4-1/3	2.00	8.67
6.	Sam Talbott (" " ")	4	1.75	7.00
7.	Charles Lamphere (Not Exploration work)	4	1.50	6.00
10.	Charles Moore (Not Exploration work)	4	2.00	8.00
11.	Sam Talbott (" " ")	4	1.75	7.00
12.	Charles Moore (" " ")	4	2.00	8.00
12.	Sam Talbott (" " ")	4	1.75	7.00
13.	Charles Moore (" " ")	4	2.00	8.00
13.	Sam Talbott (" " ")	4	1.75	7.00
16.	Charles Moore (" " ")	4	2.00	8.00
16.	Edward Miller (" " ")	4	1.50	6.00
20.	Charles Moore (" " ")	8	2.00	16.00
25.	William Roper (" " ")	4	1.75	7.00
April 1953				
1.	Ed. Rozell (Not Exploration work)	4	1.50	6.00
2.	Ken. Waggoner (" " ")	4	1.75	7.00
2.	Ken. Lorenz (" " ")	4	1.50	6.00
3.	Ken. Waggoner (" " ")	4	1.75	7.00
4.	Ken. Lorenz (" " ")	8	1.50	12.00
4.	Ken. Waggoner (" " ")	4	1.75	7.00
6.	Ken. Waggoner (" " ")	4	1.75	7.00
7.	Ken. Waggoner (" " ")	4	1.75	7.00
8.	Ken. Waggoner (" " ")	4	1.75	7.00
9.	Ken. Waggoner (" " ")	4	1.75	7.00
10.	Earl Daniels (" " ")	2-2/3	1.75	4.67
10.	Ken. Waggoner (" " ")	4	1.75	7.00
10.	James Spaulding (" " ")	8	1.50	12.00
10.	Ray Andrean (" " ")	8	1.50	12.00
11.	Earl Daniels (" " ")	4	1.75	7.00
11.	Ken. Waggoner (" " ")	4	2.62½	10.50
13.	Ken. Waggoner (" " ")	4	1.75	7.00
14.	Ken. Waggoner (" " ")	4	1.75	7.00

		Hours	Rate	Amount
April 1953 (Continued)				
15.	Ken. Waggoner (Not Exploration work)	4	$1.75	$7.00
16.	Ken. Waggoner (" " ")	4	1.75	7.00
16.	H. D. Hubbard (" " ")	8	1.50	12.00
17.	Ken. Waggoner (" " ")	4	1.75	7.00
17.	Henry Kalego (" " ")	4	1.75	7.00
18.	Ken. Waggoner (" " ")	4	2.62½	10.50
18.	William Roper (" " ")	4	2.62½	10.50
18.	Elmer Pipin (" " ")	8	1.50	12.00
18.	Henry Kalego (" " ")	4	2.62½	10.50
20.	Ken. Waggoner (" " ")	4	1.75	7.00
20.	Henry Kalego (" " ")	4	1.75	7.00
21.	Ed. Rasell (" " ")	4	1.50	6.00
21.	Ken. Waggoner (" " ")	4	1.75	7.00
21.	Henry Kalego (" " ")	4	1.75	7.00
22.	Ken. Waggoner (" " ")	4	1.75	7.00
22.	Henry Kalego (" " ")	4	1.75	7.00
23.	Ken. Waggoner (" " ")	4	1.75	7.00
23.	Henry Kalego (" " ")	4	1.75	7.00
24.	Ken. Waggoner (" " ")	4	1.75	7.00
24.	Henry Kalego (" " ")	4	1.75	7.00
25.	Ken. Waggoner (" " ")	4	2.62½	10.50
25.	Henry Kalego (" " ")	4	2.62½	10.50
27.	Ken. Waggoner (" " ")	4	1.75	7.00
27.	Francis Thomas (" " ")	8	4.29	34.32
28.	Ken. Waggoner (" " ")	4	1.75	7.00
28.	Henry Kalego (" " ")	4	1.75	7.00
29.	Ken. Waggoner (" " ")	4	1.75	7.00
29.	Henry Kalego (" " ")	4	1.75	7.00
30.	Ken. Waggoner (" " ")	4	1.75	7.00
30.	Henry Kalego (" " ")	4	1.75	7.00
May 1953				
9.	Sam Talbott (Not Exploration work)	8	1.75	14.00
16.	William T. Roper (Not Exploration work)	8	1.75	14.00
26.	H. D. Hubbard (Not Exploration work)	8	1.50	12.00
26.	Francis D. Rhodes (Not Exploration work)	4	1.50	6.00
30.	Francis D. Thomas (" " ")	8	2.25	18.00
30.	Felix Moretti (" " ")	8	2.25	18.00
October 1953				
26.	William Gianetto (Not Exploration work)	8	1.50	12.00
26.	Ken. Waggoner (" " ")	8	1.50	12.00
27.	William Gianetto (" " ")	8	1.50	12.00
27.	Ken. Waggoner (" " ")	8	1.50	12.00
28.	William Gianetto (" " ")	8	1.50	12.00
28.	Ken. Waggoner (" " ")	8	1.50	12.00
29.	William Gianetto (" " ")	8	1.50	12.00
29.	Ken. Waggoner (" " ")	8	1.50	12.00

	Hours	Rate	Amount
November 1953			
7. Paul Lucero (Not Exploration work)	2	$1.50	$3.00
14. Paul Lucero (" " ")	2½	1.50	3.75
Total Labor disallowed as not being Exploration work for the period September 1, 1952 to December 28, 1953			$1113.76

Mails & Files

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DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 24 1952

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

AUDIT CERTIFICATE

I have examined the records and transactions of:

U. S. METALS CORPORATION
(Formerly U. S. Oil and Metals Corporation)
210 Mercantile Building
1031-15th Street
Denver, Colorado

pertaining to Exploration Project Contract No. IDMA-E29, Docket No. DMA 606 for the period June 1, through August 31, 1952.

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

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

Total Cost as Billed by Contractor:			$62,907.43
Deduct - Errors in carrying totals forward			75.20
Corrected total cost as billed by Contractor			$62,832.23
Exceptions: (See Audit Report for) (details)			
During this Audit		$3,140.11	
Prior to this Audit	$4,013.62		
Less amounts determined to be allowable	1,652.74	2,360.88	5,500.99
			$57,331.24

The contract calls for a 50 per cent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Twenty-eight Thousand six hundred sixty-five and 62/100

-$28,665.62-

is valid and proper.

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

November 18, 1952

Donald T. Finch

Donald T. Finch, Auditor

I. INTRODUCTION

On October 21 to 28, 1952, a second interim audit (covering the period June 1, through August 31, 1952) was made of the records and accounts of operations pertaining to Contract No. DMA E29, Docket No. DMA 606, with the U. S. Metals Corporation, (formerly the U. S. Oil and Metals Corporation) Denver, Colorado, covering a project of exploration for Lead, Zinc and Copper. The records pertaining to this contract are in the office of the company at 210 Mercantile Building, 1031-15th Street, Denver, Colorado. The project is located approximately 360 miles from Denver, Colorado, and is about 10 miles from Silverton, Colorado in the Red Mountain Mining District, San Juan County, Colorado.

The original contract was dated June 27, 1951 and was to continue for six months. As of October 1, 1952, seven amendments to the contract have been issued. Amendment No. 6 dated August 20, 1952, effective on original contract date, replaced the original contract exhibits and rescinded the first five amendments. It also continued the contract for 24 months from June 27, 1951.

The present audit covered the period June 1, through August 31, 1952. A previous audit covered the period July 27, 1951, through May 31, 1952.

Mr. Scott W. Hazen, Jr., Mining Engineer, collaborated in the audit.

During the course of the audit the following officers and employees were consulted as required:

Mr. Walter A. Folk, Chairman of the Board
Mr. Carl H. Peterson, Secretary-Treasurer
Mr. Alfred O. Brehmer, Vice-President
Mr. W. R. Green, Accountant
Mr. Joseph Trudgean, Mining Superintendent

II. GENERAL INFORMATION ON RECORDS

The source documents covering the costs of this project are recorded on monthly work sheets, which form the basis for preparation of the monthly MF-104 reports. This audit, therefore, involved in general, an examination of the source documents against the monthly work sheets. With a few minor exceptions, which will be discussed elsewhere in this report, costs are recorded on a cash disbursement basis.

III. SCOPE OF AUDIT AND FINDINGS

The audit was limited to ascertaining the accuracy, propriety and validity of the costs as shown in the "Totals to Date" column of Form MF-104, Operator's Monthly Report and Voucher, for the month of August, 1952. The extent of the audit and the findings under each of the "Items of Cost" follow:

1. Labor and Supervision

All charges under this item were checked against the recordings on the monthly work sheets. Daily time reports signed by the mine superintendent were checked in detail for each employee for the period June 1, through August 31, 1952. Amounts charged against the project for each employee were compared with the total semi-monthly earnings shown on the payrolls. Cancelled pay checks

were examined at random for amounts, payees and endorsements. The Mining Engineer assisted in the examination of the daily time reports to determine the propriety of labor charges to the project. The deletions of labor charges for the period June 1, through August 31, 1952 amounted to $2,639.14. They are itemized on Schedule A attached to this report. In numerous instances the individual deletions were discussed at length with the Mine Superintendent.

It will be noted that allocation of the salary of the Mine Superintendent, the Mechanic, and the "Cat" operator was made after a conference attended by the Vice-President and the Mine Superintendent for the Contractor and the Mining Engineer and the Auditor for the DMEA. The allocation between mining and exploration operation is based on labor man days. It appears to be the most practical method applicable in the circumstances. According to the mining engineer, mining operations prior to July 1, 1952 were negligible.

The method of allocation has also been reviewed with and approved by the Regional Executive Officer.

The Total to Date on the MF-104 for labor August, 1952 should be adjusted as follows:

Total to Date August 31, 1952		$21,187.36
Previous Disallowances per Previous Audit:		
Excess mechanic's wages July, 1951	$88.00	
Per Finance Officer (Error in) (Extension)	3.00	
Per This Audit		
Payroll Deletions Labor not Chargeable to Exploration Contract	2139.14	
	$2230.14	
Less: Reinstatement for duplicate disallowance by Finance Officer reported in Previous Audit	34.00	2,196.14
Corrected Totals to date for Labor August 31, 1952		$18,991.22

The total to date for Supervision on the operator's MF-104 form for August 1952 should be reduced by $500.00 for allocation of Supervision salary to Mining for July and August, 1952.

2. Operating Materials and Supplies

All charges in this category were checked against the monthly work sheets and analyzed to determine the propriety of the items. All purchase invoices for the period June 1, through August 31, 1952 were examined and cancelled checks for these items were randomed checked. The company does not maintain a Stores System, and with the exception of explosives, all items of operating materials and supplies are charged direct to operations. Explosives are purchased in ton lots and charged out as used at invoice cost per pound. The current cost of explosives is $.2135 per lb. The DMEA Finance Officer had disallowed the June, 1952 charge for explosives of $65.50 because the work performed on the project during June did not require the use of explosives.

Power charges are for electric energy purchased. The DMEA Finance Officer had previously disallowed a duplicate charge of $58.38 included by the operator in the MF-104 Form for August, 1952. During the audit, an allocation of Power Charges for the months of July and August, 1952 was made between mining and exploration. This allocation resulted in a deletion of $56.51.

The item "Other Supplies," includes charges for small tools, Jeep and Truck expense, Diesel fuel and oil for Compressor, Canvas Vent tubing and miscellaneous mine supplies. An allocation

of diesel fuel between mining and exploration for July and August, 1952 resulted in a deletion of $200.00. Prior disallowances amount to $367.62 which consist of the following items:

Prior Audit	
Mechanic's Supplies and Expenses July, 1951	$170.39
DMEA Finance Officer	
Mine Supplies chargeable to Mining June, 1952	162.09
Mine Supplies chargeable to Mining, July, 1952	35.14
Total above	$367.62

The total to date for Other Supplies shown on the operator's MF-104 form for August was further reduced by $25.50 to correct errors in carrying forward monthly cumulative totals.

3. Operating Equipment Purchases

All purchase invoices for equipment purchases were examined and compared with the exploration contract as amended for the period June 1, through August 31, 1952. The operator makes charges to this account on a cash basis. That is, when equipment is paid for in instalments, the total cost of the equipment is not shown until the final payment is made.

This account consists of the following items:

	Operator's MF-104 Aug. 31,1952 as filed	Previous Disallow-ance	Disallowed Audit	Reinstated	Corrected Total
Compressor	$3500.00				$3500.00
Electric Motor	100.00				100.00
Wheelbarrow	35.00				35.00
Socket Wrenches	61.88				61.88
Electric Drill	46.25				46.25
Welding Outfit	142.49	$142.49		$142.49	142.49
Rail Bender	90.20				90.20
Power Saw	138.72	136.00		136.00	138.72
Bench Grinder	60.80				60.80
Fire Extinguishers	104.20				104.20
Tramaire	1779.90		$98.50		1681.40
Jackhammer & Leg	416.50				416.50
Galvanometer	22.70				22.70
Totals	$6498.64	$ 278.49	$98.50	$278.49	$6400.14

In the previous audit, the welding outfit and the power saw were deleted as not being in the contract. Amendment No. 6 dated August 20, 1952 with effective date of June 27, 1951 authorizes these two items, therefore a reinstatemant is indicated. Amendment No. 7 dated October 1, 1952 effective June 27, 1951, authorizes the Bench Grinder and Fire Extinguishers.

In September, 1951, the operator overpaid the Shapleigh Hardware Company $98.50. This overpayment was discovered by the examination of a letter from the supplier dated June 23, 1952 and a disallowance of a previous overcharge on the cost of equipment is indicated.

4. Initial Rehabilitation and Repairs

This item includes the cost of repairs and the labor for installing them. No charges were made to this account during the period covered by this audit--viz. June 1, through August 31, 1952.

5. New Buildings, Improvements, etc.

This item includes the cost of materials and labor for constructing the authorized new buildings. No charges were made to this account during the period June 1, through August 31, 1952. The total to date, as shown on the operator's MF-104 form for August, 1952 should, however, be adjusted as follows:

Total to Date, August 31, 1952 per MF-104		$3814.56
Previous Disallowances		
Per DMEA Finance Officer:		
Unauthorized construction of ore bin	$186.00	
Per Previous Audit:		
Labor Unauthorized construction	24.00	
	$210.00	

Less: Reinstatement for duplicate disallowance by Finance Officer reported in Previous Audit	$102.66	$107.34
Corrected Total as of August 31, 1952		$3707.22

6. Repairs to Equipment

All charges to repairs to equipment during the period June 1, through August 31, 1952 were traced to invoices. Cancelled bank checks were randomed checked.

The total to date shown on the operator's MF-104 form for August 31, 1952 should be adjusted as follows:

Total to Date MF-104 August 1952		$1230.88
Error in carrying totals forward prior months	$1.98	
Prior disallowances Per Previous audit		
Jeep Repairs	78.28	
Per DMEA Finance Officer		
Repairs to Equipment not authorized	2.19	
Craig Service -- Auto Truck Expense June, 1952 No documentation	106.31	
Seagler Motor Parts-- designation of equipment repaired July, 1952	63.29	
Bingle Bros. Insufficient documentation	3.00	
Per This Audit Report		
Repairs allocated to Mining July and August	55.23	
Stephen Pneumatic Tool Co. No Invoice	9.56	
	$319.84	
Reinstatement Craig Service and Bingle Bros. Documentation complete at time of Audit	107.81	212.03
Corrected Total To Date August 31, 1952		$1018.85

7. Payroll Taxes

Analysis of this item disclosed the following situation:

Total to Date--Operator's MF-104 August 31, 1952		$228.13
Add: Erroneous Distribution:- Firm Liability Insurance		427.25
		$655.38
Less:		
Error in Carrying Cumulative Totals Forward	$47.72	
Previous Disallowance by Finance Officer for lack of documentation	49.26	
	$96.98	
Less: Reinstatement	42.54	54.44
Corrected Total to Date August 31, 1952		$600.94

The foregoing reinstatement is computed as follows:

Operator claimed Payroll Taxes on allowable Salaries for period July 1, through Dec. 31, 1951 at 2.7%	427.25
Operator claimed Payroll Taxes for April, May, June and July at 1.5%; allowable Salaries and Wages April through Aug. 31, 1952 $11579.38 at 1.5%	173.69
Total as above	$600.94

It is noted the operator could have claimed Payroll Taxes, (provided actually paid), at the following rates applied to the allowable Salaries and Wages:

Colorado State Unemployment Tax	2.7%
F. U. T. A.	.3%
F. I. C. A.	1.5%

8. Liability Insurance

Workman's Compensation Insurance is under the administration of the State of Colorado. The prevailing rate applicable to the operator until August, 1952 was $3.42 per hundred. This rate has now been reduced to $2.51 per hundred. An analysis of this account follows:

Total to Date Operator's MF-104 form for August, 1952		$1505.03
Less: Payroll Taxes erroneously included	$427.25	
Prior Deletions from Previous audit	261.08	
Adjustment for Payroll deletions -this audit	76.48	764.81
		$ 740.22

9. Transportation

All invoices applicable to this item for the period June 1, through August 31, 1952 were examined. This account consists of Sundry Freight, Express Charges and Auto Expense.

An analysis of the account follows:

Total to Date Operator's MF-104 form August, 1952		$3589.72
Prior Disallowances by DMEA Finance Officer		
Freight on Company-owned Equipment - April, May	$ 85.78	
Rio Grande Motor Way - June Incomplete Documentation	11.48	
Rio Grande Motor Way - July, Incomplete Documentation	9.33	
Craig Service July - Incomplete Documentation	101. 53	
Craig Service August - Incomplete Documentation	115. 44	
Resubmission of Auto Expense disallowed Previous Audit again disallowed for insufficient break-down	962. 93	
By Previous Audit		
Auto Expense Not provided by Contract	1092. 73	
By This Audit		
Triangle Service Station allocated to Mining	4. 69	
	$2383. 91	

				$3589.72
			$2383.91	
Less: Reinstatement:				
Auto and Truck expenses disallowed in previous audit because not authorized in Contract are now authorized by amendment No. 6 dated Aug. 20, 1952 with effective date of June 27, 1951		$962.93		
Reinstatement of that portion of previous Disallowances by Finance Officer applicable to Exploration Contract and which were fully documented at time of Audit:				
Rio Grande Motor Way June, 1952	$6.49			
Rio Grande Motor Way July, 1952	9.33			
Craig Service July,1952	50.77			
Craig Service Aug.,1952	57.72	124.31	1087.24	$1296.67
Corrected Total to Date August 31, 1952				$2293.05

IV. CONCLUSIONS AND RECOMMENDATIONS

Exhibit B attached to and made a part of this report reflects the "Totals to Date" shown on the operator's MF-104 form for August, 1952 together with necessary corrections, Prior deletions and deletions during this audit. This exhibit also shows recommended reinstatements and accepted totals to date as of August 31, 1952.

The accepted totals to date in Exhibit B reflects costs which are reasonable and proper under the terms of the contract as amended.

At the conclusion of the audit, the findings were discussed with the officers of the company who are listed in the introduction.

The contractor has recently reorganized its office and had engaged a new mine superintendent. As a result of the audit, it is believed a better system of reports between the mine and the office

and a better accounting for exploration costs will be perfected.

The operator promised to adjust its records of Exploration Costs to reflect the adjustments and deletions discussed in this audit report.

Donald T. Finch

Donald T. Finch
Auditor, Region IV

U. S. METALS CORPORATION
Exploration Contract E29

EXHIBIT "A"

Payroll Deletions

Date	Hours	Rate	Amount	Total
1952				
June 5				
Charles Setterquist (not on project)	8	$1.50	$12.00	
June 6				
Charles Setterquist (no indication) (where worked)	8	1.50	12.00	
John F. Gallegos " "	8	1.50	12.00	
June 9				
John F. Gallegos " "	8	1.50	12.00	
P. Ray Chavez " "	8	1.50	12.00	
Roland C. Davis " "	8	1.50	12.00	
Parfino J. Chavez " "	8	1.50	12.00	
June 12				
Charles C. Moore (No Time Report)	8	2.00	16.00	
June 14				
Roland C. Davis (Work on Ore Bin)	8	1.50	12.00	
June 15				
Charles C. Moore (No Time Report)	8	2.00	16.00	
Charles Setterquist " " "	8	1.50	12.00	
Charles Setterquist " " "	8	1.50	12.00	
June 17				
Roland C. Davis (No indication where) (worked)	8	1.50	12.00	
June 19				
Charles Setterquist " " " "	8	1.50	12.00	
Roland C. Davis " " " "	8	1.50	12.00	
June 21				
Roland C. Davis " " " "	8	1.50	12.00	
June 23				
Roland C. Davis " " " "	8	1.50	12.00	
June 24				
Roland C. Davis " " " "	8	1.50	12.00	
Raymond D. McCause " " " "	8	1.50	12.00	
Frank Orstrum " " " "	8	1.50	12.00	
June 25				
Roland C. Davis " " " "	8	1.50	12.00	
Raymond D. McCause (Mining)	8	1.50	12.00	
Frank M. Orstrum "	8	1.50	12.00	
June 26				
Raymond D. McCause (Mining)	8	1.50	12.00	
Frank M. Orstrum "	8	1.50	12.00	
June 27				
Roland C. Davis (No indication where worked)	8	1.50	12.00	
Raymond D. McCause (Mining)	8	1.50	12.00	
Frank M. Orstrum "	8	1.50	12.00	
June 28				
Roland C. Davis (No indication where worked)	8	1.50	12.00	
June 16-30 Harry B. Mullikin chg. to DMEA $192.40				
Total Earnings	181.36			
Overcharge to DMEA			11.04	

PAYROLL DELETIONS

Date	Hours	Rate	Amount	Total
1952				
Total Payroll Deletions June, 1952				$367.04
July 1				
Myron L. Jones (Mining)	8	$1.50	$12.00	
Frank Orstrum (Mining)	8	1.50	12.00	
July 2				
Myron L. Jones (Mining)	8	1.50	12.00	
Danny Gerald "	8	1.50	12.00	
Frank Orstrum "	8	1.50	12.00	
Charles Setterquist"	8	1.50	12.00	
July 3				
Myron L. Jones (Mining)	8	1.50	12.00	
Danny Gerald "	8	1.50	12.00	
Frank Orstrum "	8	1.50	12.00	
Charles Setterquist "	8	1.50	12.00	
July 4				
Myron L. Jones "	8 O.T.	2.25	18.00	
Danny Gerald "	8 O.T.	2.25	18.00	
July 5				
Myron L. Jones "	8	1.50	12.00	
Danny Gerald "	8	1.50	12.00	
July 6				
Herbert F. Grey (No time report)	8	1.50	12.00	
July 7				
Charles Setterquist (Mining)	8	1.50	12.00	
Myron L. Jones (Mining)	8	1.50	12.00	
Danny Gerald "	8	1.50	12.00	
Herbert F. Grey (No time report)	8	1.50	12.00	
July 8				
Myron L. Jones (Mining)	8	1.50	12.00	
Danny Gerald "	8	1.50	12.00	
Herbert F. Grey (No time report)	8	1.50	12.00	
July 9				
Myron L. Jones (Mining)	8	1.50	12.00	
Danny Gerald "	8	1.50	12.00	
Joe Kobel (No Time report)	2	1.50	3.00	
Herbert F. Gray (No time report)	8	1.50	12.00	
July 10				
Myron L. Jones (Mining)	8	1.50	12.00	
Danny Gerald (Mining)	8	1.50	12.00	
Joe Kobel (Mechanic's Helper - Ex_Contract)	8	1.50	12.00	
Herbert F. Gray (No time report)	8	1.50	12.00	
July 11				
Myron L. Jones (Mining)	8	1.50	12.00	
Danny Gerald "	8	1.50	12.00	
Joe Kobel (Mechanic's Helper -Ex-Contract)	8	1.50	12.00	
July 12				
Danny Gerald (Mining)	8	1.50	12.00	
Joe Kobel (Mechanic's Helper - Ex-Contract)	8	1.50	12.00	
Jerry Joyner (No time report)	8contract	1.78	14.24	
Clair Zufelt (Mining)	8	1.50	12.00	
Herbert F. Grey (No time report)	8	1.50	12.00	

Payroll Deletions

Date	Hours	Rate	Amount	Total
1952				
July 13				
Herbert F. Grey (No time report)	8	$1.50	$12.00	
July 14				
Myron L. Jones (Mining)	8	1.50	12.00	
Danny Gerald "	8	1.50	12.00	
Joe Kobel (Mechanic's Helper -Ex-Contract)	8	1.50	12.00	
Herbert F. Grey (No time report)	8	1.50	12.00	
Charles Setterquist (Mining)	8	1.50	12.00	
Clair Zufelt (Mining)	8	1.50	12.00	
July 15				
Myron L. Jones (Mining)	8	1.50	12.00	
Danny Gerald (Mining)	8	1.50	12.00	
Joe Kobel (Mechanic's Helper- Ex-Contract)	8	1.50	12.00	
Merritt Bromley (No time sheet)	8	1.50	12.00	
Herbert F. Grey " " "	8	1.50	12.00	
July 16				
Joe Kobel (Mechanic's Helper, Ex-Contract)	8	1.50	12.00	
Merritt Bromley (No indication where worked)	8	1.50	12.00	
July 18				
Myron L. Jones (Mining)	8	1.50	12.00	
Jerry Joyner "	8	1.50	12.00	
Merritt Bromley "	8	1.50	12.00	
July 19				
Jerry Joyner (No time report)	8	1.50	12.00	
Merritt Bromley " " "	8	1.50	12.00	
July 20				
Charles Setterquist (Mining)	8	1.50	12.00	
Myron L. Jones "	8	1.50	12.00	
July 21				
Charles Setterquist (Mining)	4	O.T. 2.25	9.00	
Myron L. Jones (Mining)	4	O.T. 2.25	9.00	
Jerry Joyner (Mining)	4	O.T. 2.25	9.00	
Merritt Bromley (Mining)	4	O.T. 2.25	9.00	
July 22				
Charles Setterquist (Mining)	4	1.50	6.00	
Myron L. Jones (Mining)	4	1.50	6.00	
July 23				
Charles Setterquist (Mining)	8	1.50	12.00	
Myron L. Jones (Mining)	8	1.50	12.00	
July 24				
Charles Setterquist (Mining)	8	1.50	12.00	
Myron L. Jones (Mining)	8	1.50	12.00	
Jerry Joyner (No time report)	8	1.50	12.00	
Merritt Bromley (No time report)	8	1.50	12.00	
Ray B. Barnes (Ore Bin)	8	1.50	12.00	
July 25				
Charles Setterquist (Mining)	8	1.50	12.00	
Myron L. Jones (Mining)	8	1.50	12.00	
Jerry Joyner (Mining)	8	1.50	12.00	
Merritt Bromley (Mining)	8	1.50	12.00	
Ray B. Barnes (Ore Bin)	8	1.50	12.00	

Payroll Deletions

Date 1952	Hours	Rate	Amount	Total
July 29				
Fay Lee Van Houten (Excess Overtime)	8	$ .75	$ 6.00	
Charles Setterquist (Mining)	8	1.50	12.00	
July 30				
Charles Setterquist (Mining)	8	1.50	12.00	
Roy B. Barnes (No indication where worked)	8	1.50	12.00	
July 31				
Charles Setterquist (Mining)	8 O.T.	2.25	18.00	
Ray B. Barnes (Mining)	8	1.50	12.00	
Roland Schlecht (Mining)	8	1.50	12.00	
July 1 to July 31,				
Allocation to Mining				
Joseph Trudgeon, Supt. 50% total Salary of		500.00	250.00	
Sam Milano Mechanic 50%		400.00	200.00	
Charles Moore, Cat Operator 50%		179.00	89.50	
Total Payroll Deletions July, 1952				$1528.74
August 1				
Ray B. Barnes (Mining)	8	1.50	12.00	
August 5				
Ray B. Barnes (Mining)	8	1.50	12.00	
Charles Setterquist (Mining)	4 Contract	2.01	8.04	
August 6				
Charles Setterquist (Mining)	8 Contract	2.01	8.04	
August 7				
Charles Setterquist (Mining)	8 Contract	2.01	8.04	
August 8	(O.T.)			
Charles Setterquist (Mining)	8 Contract)	3.01	24.08	
August 23				
Stanley Thompson (No Time Report)	8	1.50	12.00	
Thomas Thompson (No Time Report)	8	1.50	12.00	
August 24				
Herbert F. Grey (No Time Report)	8 O.T.	2.25	18.00	
Stanley Thompson (No Time report)	8 Contract O.T.	3.01	24.08	
Thomas Thompson (No Time Report)	8 Contract O.T.	3.01	24.08	
August 27				
Herbert F. Grey (Mining)	8	1.50	12.00	
August 29				
Herbert F. Grey (Mining)	2	1.50	3.00	
	2 O.T.	2.25	4.50	
Lawrence Ponchur (Ore Bin)	8	1.50	12.00	
August 1 to August 31				
Sam Milano (Not on job, No time sheets)			200.00	
Allocation to Mining				
Joseph Trudgeon Supt. 50% of Total Salary of		500.00	250.00	
Charles Moore Cat Optr. 50% of Total Salary of		199.00	99.50	
Total Payroll deletions August, 1952				$743.36
June 1 through August 31, 1952				
Total Payroll Deletions				$ 2639.14

U. S. METALS CORPORATION
(Formerly U. S. Oil and Metals Corporation)
Exploration Contract E29

EXHIBIT "B"

	Totals to Date-Operator's MF-104 Aug.31 1952	Corrections of Errors in Totals Brought FWD by Operator	Previous Deletions Not reflected on Operator's Records ***	Deletions During This Audit	Recommended Reinstatements	Accepted Totals To Date Aug.31, 1952
Labor	$21187.36		$ 91.00	$2139.14	**$34.00	$18991.22
Supervision	4900.00			500.00		4400.00
Timber	606.52					606.52
Explosives	238.68		65.50			173.18
Pipe	4031.01					4031.01
Track	3325.13					3325.13
Power	468.09		58.38	56.51		353.20
Other Supplies	5628.20	$ 25.50	367.62	200.00		5035.08
Equipment: Purchases	6498.64		278.49	98.50	278.49	6400.14
Initial Rehab. & Repairs	5655.48					5655.48
New Bldgs. Improve. etc.	3814.56		210.00		** 102.66	3707.22
Repairs to Equip.	1230.88	1.98	253.07	64.79	107.81	1018.85
Payroll Taxes *	655.38	47.72	49.26		42.54	600.94
Liab. Ins. *	1077.78		261.08	76.48		740.22
Transportation	3589.72		2379.22	4.69	1087.24	2293.05
	$62907.43	$ 75.20	$4013.62	$3140.11	$1652.74	$57331.24

* Distribution Corrected
** From Previous Audit
*** Previous Deletions by DMEA Finance Office totalling $3073.80 have been reflected on the operator's records. These are shown in Schedule A of Previous Audit Report. The operator had not reflected the deletions for April-May, 1952 shown on this exhibit.

Code 500

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

AUDIT CERTIFICATE

I have examined the records and transactions of:

U. S. Oil and Development Co.

(Name changed by charter amendment April 22, 1952)
to:

U. S. Oil and Metals Co.

210 Mercantile Building

1031-15th Street

Denver, Colorado

pertaining to Exploration Contract No. E-29, Docket No. DMA 606 for the period July 1, 1951 to May 31, 1952.

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

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

Total Cost as Billed by Contractor			$50,847.52
Exceptions (See Audit Report for details)			
During this audit		$1,962.87	
Prior to this Audit	$3,345.58		
Less amounts determined to be allowable	136.66	3,208.92	5,201.89
Total Accepted Cost			$45,645.63

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of twenty-two thousand eight hundred twenty-two dollars and 82/100

- $22,822.82 -

is valid and proper.

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

Date: July 30, 1952

Donald T. Finch
Donald T. Finch
Auditor

approved
JH Pressley

U. S. Oil and Development Company
(U.S. Oil and Metals Company)
Exploration Project
Contract No. E-29
Docket No. DMA 606

I. INTRODUCTION

An audit was made on July 23, to July 28, 1952, of Defense Minerals Exploration Contract No. E-29, U. S. Oil and Development Company. The records pertaining to this contract are in the office of U. S. Oil and Development Company at 210 Mercantile Building, 1051-15th Street, Denver, Colorado. The project is located approximately 360 miles from Denver, Colorado, and is about 10 milesfrom Silverton, Colorado in the Red Mountain Mining district, San Juan County, Colorado. The audit covered the period June 27, 1951 through May 31, 1952 of the contract that continues until July 27, 1952. The accountant, Mr. W. R. Green was present and consulted when necessary.

II. EXTENT AND SCOPE OF AUDIT

1. Buildings and Road Construction

Amendments to the contract dated June 27, 1951 and February 15, 1952, authorized some buildings and road construction. All charges for these items were examined.

2. Equipment Purchases

All invoices for the purchase of Equipment were examined. Exception was taken to the purchase of an Electric Saw and a welding outfit, not included in the contract.

3. Rehabilitation and Repairs

Invoices for this item were examined and no exceptions were taken. The items, however, properly, should have been distributed to Repair Parts under Supplies, and the bookkeeper was so instructed.

4. Labor

The payrolls and supporting data, for the month of July, 1951 were examined in detail and computed for accuracy. Payrolls and supporting data for all other months were scanned and adequately tested. The mine superintendent reports daily the time of the various workers on a daily progress report form. This form shows the names of employees, hours worked, type and location of the work performed. At the close of each semi-monthly pay period, the Superintendent submits a signed Payroll. This payroll lists the employees' regular and overtime hours of work, rate of pay and gross amount of pay due. The bookkeeper checks the gross amounts, enters O.A.B. & withholding tax, computes the net amount due each employee, and lists the number of each payroll check on the payroll.

An analysis, showing the distribution of labor is prepared from the daily progress report and balanced with the payroll totals.

5. Supervision

Monthly payments for supervision were in accordance with the contract. Distribution by the contractor was not consistent. In some instances these charges were included with Labor charges.

6. Supplies

The contractor does not maintain warehouse records. All supplies are charged net, of cash discount if any, to the operators. All invoices for the purchase of supplies were examined, tests were made of evidence of receipt of the materials and of cancelled checks.

7. Power

Power invoices for electric current were examined and were based

on the project meter. Amounts of the monthly power bills agreed with the contractor's MF-104 reports.

8. Transportation

Included in the amounts reported on forms M 104 for transportation were sundry charges for gas, oil and repairs to a "Jeep." Exception was taken to all charges of this nature since they are ex-contract.

9. Insurance

The contractor filed Colorado State Unemployment insurance returns for 1951, but has not filed any Federal return for this item. The amount claimed by the contractor was confirmed by applying the rate to total approved labor charges.

Workmen's Compensation insurance is carried with the State of Colorado. Monthly payments are made on the basis of the previous month's wages paid. All computations were checked. Exceptions were taken in sufficient amounts to reduce this item to amounts applicable to Labor performed under the contract.

10. Contract Work

Contract work is based on oral contracts with the miners. Mining Engineer's reports state that such work was performed within the limits of the contract.

11. Other

Freight and hauling should have been shown under Transportation.

Auto and Truck Expense and repair was disallowed as being overhead.

Small tools should have been shown under supplies.

Power line should have been shown under Fixtures and improvements, Facilities. Charges for this item were in accordance with the contract.

III. FINDINGS

The project records maintained by the U. S. Oil and Development Company are in reasonably good condition and are adequate. Payroll and other supporting data are filed chronologically. All invoices are filed according to dates paid, and are referenced to applicable checks. Cancelled checks are in numerical order by months.

Because of lack of information, the DMEA Finance Officer, in September, duplicated a disallowance of $102.66. In October and November, lack of complete payroll information concerning overtime shifts resulted in excess disallowances totalling $34.00. These excess disallowances amounting to $136.66 are "earmarked" on schedule "A."

Schedule "A", attached to this report, lists exceptions previously taken by the DMEA Finance Officer. Schedule "B" shows the additional exceptions taken as a result of the audit.

No further exceptions are taken, the costs being reasonable, proper and within the terms of the contract and amendments.

IV. RECOMMENDATIONS

The audit certificate, prefacing this report, reflects the amount of the costs properly chargeable to this project through Dec. 31, 1952.

U. S. Oil and Development Company
Exploration Project
Contract No. E-29
Docket No. DMA 606

SCHEDULE "A"

Exceptions previously taken by DMA FINANCE OFFICER

1951
August

Labor on Lark Bunk House	$195.00	
Duplicate Invoice, Bulldozer repairs	74.71	
Automobile Tax & License	19.34	
Excess Mechanic's Wages	76.00	365.05

September

Labor-Extra Mechanic	371.00	
Buildings and Materials, Lark Bunk House and Kitchen	+ 410.57	
Freight on second Bulldozer	170.45	
Supplies, Electrical Supplies, Lark Buildings	+ 102.66	
Transportation, Tires for Jeep	82.96	
Subsistence, Head Mechanic	138.80	
Monthly Salary, Head Mechanic	400.00	1674.44

+ Duplication: Electrical Supplies ($102.66) included in total of $410.57

October

Overcharge October Mechanic's Wages	$ 76.00	
Over-extension Tractor Operator's Wages	+20.00	
Portion of Mechanic's & Carpenter's Wages disallowed in error September 49 Shifts at $12.00 restored-contra entry	(588.00)	+ +(492.00)

+ Excessive disallowance, overtime data not furnished by contractor.
+
+ ( )equals red or contra entry

November

Excess mechanic's wages	88.00	
Over-extension Carpenter's Wages	+ 20.00	108.00

+ Includes $14.00 excessive disallowance, Overtime data not furnished by Contractor

1951
December

Excess Mechanic's Wages	$112.00	
Excess Mechanic Helper's Wages	$226.31	
Excess Tractor Operator's Wages	80.00	$ 418.31

1952
January

Mechanic's Wages	400.00	
Superintendent's Salary	500.00	
Duplicate Claim for 10H.P. Motor	100.00	1000.00

Note: No reports for February and March—
Mine not operated.

April and May

(Combined Report; Processing incomplete.)
(indicated disallowances are tentative.)

Construction Ore Bin	186.00	
Freight on new Allis Chalmers Tractor Loader	85.73	271.73

Total for period June 27, 1951 to May 31, 1952 $3345.58

U. S. Oil and Development Co.
Exploration Project
Contract No. E-29
Docket No. DMA 606

SCHEDULE "B"

Additional Exceptions Taken as Result of Audit

1951		
July		
Excess Mechanic's Wages (Ex-Contract)	$88.00	
Electric Saw (Ex-Contract)	136.00	
Welding Outfit (Ex-Contract)	142.49	
Supplies, Expenses, Mechanic(overhead)	50.25	
Jeep repairs (overhead)	78.28	
Travel Expense, Carl M. Peterson (overhead)	25.00	
Mechanic's Expenses (overhead)	120.14	$640.16
August		
Mechanic's Travel Expense (overhead)	104.80	
Gas, oil and auto repairs (overhead)	144.67	
Mechanic's Labor on town garage, 2 shifts at $12.00 (overhead and ex-contract)	24.00	273.47
September		
Auto repairs and Expense (overhead)	135.92	
Excess Workmen's Compensation & Insurance (error)	43.19	179.11
October		
Gasoline and Oil for Jeep and Auto Rent (overhead)	153.66	
Excess Workmen's Compensation Insurance (overhead)	45.27	198.93
November		
Automobile and Truck Expense (overhead)	117.18	
Excess Workmen's Compensation Insurance (error)	24.61	141.79

1951			
December			
Automobile and Truck Expense (overhead)	153.35		
Excess Workmen's Compensation Insurance (Error)	38.30	191.65	
1952			
January			
Gasoline and Oil	61.30		
Excess Workmen's Compensation Insurance (Error)	22.71	84.01	
April and May (Combined)			
Gasoline and Oil (overhead)	196.85		
Excess Workmen's Compensation Insurance (Error)	87.00	283.85	
Total Additional Exceptions June 27, 1951 to May 31, 1952			$1992.97

Note: Mine inoperative January through March--No claims filed for February and March, 1952.

EXPLORATION PROJECT CONTRACT
U. S. METALS CORPORATION
DOCKET NO. DMA-606
CONTRACT NO. Idm-E-29

AMENDMENT NO. 14

DEC

Whereas, in fixing a period for suspension of the work in Amendment No. 12, dated November 1, 1954, the parties did not consider the fact that work had been performed during the period beginning October 26, 1953, and ending December 28, 1953, and

Whereas, the parties desire to correct this error

Now, therefore, it is agreed as follows:

1. In Amendment No. 12:

(a) In paragraphs 2(a) and 5(a), the date "December 28, 1953" is substituted for the date "June 4, 1953."

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed this 6th day of December 1955.

THE UNITED STATES OF AMERICA

By Frank E. Johnson
ACTING Administrator, Defense Minerals Exploration Administration

U. S. METALS CORPORATION

By Lee M. Peterson

Appd. So

Docket

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EXPLORATION PROJECT CONTRACT
U. S. METALS CORPORATION
DOCKET NO. DMA-606

AMENDMENT NO. 13

It is agreed this 5th day of August, 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and U. S. Metals Corporation, that Exploration Project Contract Idm-E29, Docket No. DMEA-606, dated June 27, 1951, as amended, is further amended effective June 4, 1953, as follows:

1. In Amendment No. 12:

(a) In Paragraph 2 (a), the period for suspension of work is further extended to not later than September 1, 1955.

(b) In Paragraph 3, the period for completion is further extended to June 27, 1956.

(c) In Paragraph b. of Annex II, the period "fourteen years" is substituted for the period "thirteen years."

(d) In Paragraph 5, the date for resuming work is further extended to not later than September 1, 1955.

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O. M. Stendorf
Administrator, Defense Minerals Exploration Administration

Robert Hoffland
Appt. Sol. U

U. S. METALS CORPORATION

By Earl H. Pierson

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EXPLORATION PROJECT CONTRACT
U. S. METALS CORPORATION
DOCKET NO. DMA-606

AMENDMENT NO. 12

It is agreed this 1st day of November, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and U. S. Metals Corporation, that Exploration Project Contract I-DMA-EP9 (Docket No. DMA-606), dated June 27, 1951, as amended, is further amended effective June 4, 1953, as follows:

1. Amendments Nos. 10 and 11 are cancelled.

2. (a) Work under the Contract shall be suspended during the period beginning June 4, 1953, and ending not later than July 1, 1955. (Amendments Nos. 10 and 11 previously fixed July 1, 1954, and September 1, 1954, respectively, as dates terminating work-suspension periods.)

(b) No costs incurred by the Operator during the period of suspension shall be allowable for contribution by the Government, and the Government shall not contribute to any costs of rehabilitation or repair which, in its opinion, would not have occurred if there had been no suspension of the work.

(c) The Operator at its own cost and expense, without contribution by the Government, during the period of suspension shall preserve and protect the project work and any property in which the Government has an interest.

3. In Article 3 of the Contract form, the period "54 months" is fixed for completion of the work. (Amendments Nos. 9 and 10 previously extended the completion dates to "30 months" and "42 months," respectively.)

4. Annex II, attached hereto and made a part hereof, is substituted for Article 14 of the Contract form.

5. It is of the essence of this Contract that the work be resumed on or before July 1, 1955, and if the work is not resumed within the time limited, in a manner required to bring the project to completion as required:

(a) All obligation of the Government to contri
to costs not incurred before June 4, 1953, shall be and
hereby terminated except for necessary and reasonable co
and expenses incurred in--

(1) preserving and disposing of property to the cost of which the Government has contributed, and

(2) making and rendering reports, accounts, and winding-up and settlement actions provided for in the Contract.

(b) The Operator shall promptly perform all winding-up and settlement actions provided for in the Contract, including the disposal of any facilities, buildings, fixtures, equipment, or other items to the cost of which the Government has contributed; and shall promptly render to the Government a final report and a final accounting.

6. If the Government has not made a certification of discovery or development, the total net amount contributed by the Government shall nevertheless be repayable in the form of a percentage royalty on any minerals mined or produced from the land described in Article 2 of the Contract, in the manner and amount provided in the Contract.

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C P Mitchelson
Administrator, Defense Minerals
Exploration Administration

Porter
Hoffhund
Kirwood
Talbott
Selfridge

U. S. METALS CORPORATION

By Fred H Pierson

EXPLORATION PROJECT CONTRACT
U. S. METALS CORPORATION
DOCKET NO. DMA-606

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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ANNEX II

The following provisions are in lieu of Article 14:

Repayment by Operator.--a. Certification.--If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered the final report and final account, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

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

c. Basis for computation.--The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight paid by the buyer to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling or assaying, or transportation, performed or paid by the

* The word "land" refers to the land described in Article 2 of the Contract form.

‡ The period "thirteen years" is substituted for the period "ten years."

14 years

Operator or by anyone other than the buyer, are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent) applied to the raw ore or other production after it is extracted from the ground, to put it into a commercially marketable form; excluding fabricating or manufacturing.

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

e. Percentages of royalty.--The percentages of the Government's royalty shall be as follows:

> One and one-half ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.
>
> (For instance: the royalty on an amount of five dollars ($5.00) per ton, would be one and one-half ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

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

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

h. No obligation to produce.--Nothing in this contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

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

Docket Copy

EXPLORATION PROJECT CONTRACT
U. S. METALS CORPORATION
DOCKET NO. DMA-606

AMENDMENT NO. 11

It is agreed this 29th day of July, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and U. S. Metals Corporation, that Exploration Project Contract I-DMA-E29 (Docket No. DMA-606), dated June 27, 1951, as amended, hereinafter called the "Contract," is further amended, effective June 4, 1953, as follows:

1. In Amendment No. 10:

a. In paragraph 1 (a) and in paragraph 4, delete the date "July 1, 1954," and substitute the date "September 1, 1954."

b. In paragraph 4 (c), delete the words "Annex I attached hereto," and substitute the words "Annex II attached to Amendment No. 11."

2. Annex I attached to Amendment No. 10 is cancelled, and Annex II attached hereto and made a part hereof is substituted for the provisions of Article 14 of the Contract form.

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. O. Mitteudorf
Administrator, Defense Minerals Exploration Administration

U. S. METALS CORPORATION

By Earl Peterson

Entry:
Hoffland
Approved
Chandler
Selfridge
H. Brown

EXPLORATION PROJECT CONTRACT
U. S. METALS CORPORATION
DOCKET NO. DMA-606

OCT - 8 1954

ANNEX II

The following provisions are in lieu of Article 14 :

Repayment by Operator.--a. Certification.--If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered the final report and final account, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

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

c. Basis for computation.--The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight paid by the buyer to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling or assaying, or transportation, performed or paid by the

* The period "twelve years" is substituted for the period "ten years."

Operator or by anyone other than the buyer, are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent) applied to the raw ore or other production after it is extracted from the ground, to put it into a commercially marketable form; excluding fabricating or manufacturing.

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

e. Percentages of royalty.--The percentages of the Government's royalty shall be as follows:

> One and one-half ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.
>
> (For instance: the royalty on an amount of five dollars ($5.00) per ton, would be one and one-half ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

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

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

h. No obligation to produce.--Nothing in this contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

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

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MF-203
(Revised July 1, 1954)

OWNER'S CONSENT TO LIEN

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of Colorado, County of San Juan, described as follows:1/

Henrietta mine comprising the Henrietta (155260), Lizzie (15520), Mineral King (2051), Humbolt (155260), Home Run (155260), Mineral Queen (1622), Narrow Gauge (155260), Prosperity (18621), and La Cross (18620), patented mining claims and the Tetrahedrite No. 1, Tetrahedrite No. 2, C.L.M. Moodie No. 1 and Moodie No. 2, unpatented mining claims all situated in the Red Mountain Mining District, Sec. 19, R. 8 W., T. 40 N.

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

2/ U.S. Metals Corporation
210 Mercantile Bldg.
Denver, Colorado

hereinafter called the "Operator"; and

WHEREAS, under the provisions of said contract the Government is entitled to a percentage royalty on production and to other rights and equities which do or may conflict with or be adverse to the rights of the undersigned:

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

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

2. To secure the payment to the Government of the percentage royalty on production3/ provided for under the terms of said exploration project contract or any amendment thereof there is hereby granted to the Government a lien upon the land above referred to and upon any production of minerals therefrom until said royalty is fully paid or 12 years have elapsed from the date of the contract, whichever occurs first.

1/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease [or contract, deed, or other document] dated _____, and recorded in book _____ page _____ official records of said county." If (b) is used, the book and page of recordation cannot be dispensed with. If the space provided is insufficient, use an Annex, and refer to the Annex in the space.

2/ Insert the name of the Operator as it will appear in the exploration project contract.

3/ Mining or production from the land is not required, and in the absence of production there is no obligation to repay the Government.

(OVER)

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

4. Changes and added provisions _____

_____

_____

_____

Dated this 23rd day of September, 195_.

[illegible] & [illegible] COMPANY [Seal]

By Naomi H. Jones [Seal]

Secretary-Treasurer [Seal]

Docket copy

EXPLORATION PROJECT CONTRACT
U. S. METALS CORPORATION
DOCKET NO. DMA-606

AMENDMENT NO. 10

It is agreed this 15th day of February, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and U. S. Metals Corporation, that Exploration Project Contract I-DMA-229, Docket No. DMA-606, dated June 27, 1951, as amended, is further amended, effective June 4, 1953, as follows:

1. (a) Work under the contract shall be suspended during the period beginning June 4, 1953, and ending not later than July 1, 1954.

(b) No costs incurred by the Operator during the period of suspension shall be allowable for contribution by the Government.

(c) The Operator, at his own cost and expense, without contribution by the Government, during the period of suspension shall preserve the project work and any property in which the Government has an interest.

(d) The Government shall not contribute to any costs of rehabilitation or repair which in its opinion would not have occurred if there had been no suspension of work.

2. In Article 3 of the contract form the period "30 months", provided by Amendment No. 9, is deleted and the period "42 months" is substituted.

3. The provisions of Annex I, attached hereto and made a part hereof, are substituted for the provisions of Article 14 of the contract form.

4. It is of the essence of this contract that work be resumed on or before July 1, 1954; and if the work is not resumed within the time limited, in a manner required to bring the project to completion as required:

(a) All obligation of the Government to contribute to costs not incurred before June 4, 1953, shall be and is hereby terminated except for necessary and reasonable costs and expenses incurred in—

(1) preserving and disposing of property to the cost of which the Government has contributed, and

(2) making and rendering reports, accounts, and winding-up and settlement actions provided for in the contract.

(b) The Operator shall promptly perform all winding-up and settlement actions provided for in the contract, including the disposal of any facilities, buildings, fixtures, equipment, or other items to the cost of which the Government has contributed; and shall promptly render to the Government a final report and a final accounting.

(c) All rights of the Government with respect to a percentage royalty under the provisions of Annex I, attached hereto, shall be and are preserved.

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. W. Mitteudorf
Administrator, Defense Minerals Exploration Administration

Robin
Hoffland
Chamberlin

U. S. METALS CORPORATION

By Earl H. Burns

ANNEX I

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 14 1954

The following provisions are in lieu of Article 14:

Repayment by Operator.--a. Certification.--If at any time the Government considers that a discovery or development from which production may be made has resulted from the exploration work, the Government, at any time not later than six months after the Operator has rendered the final report and final account, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

b. Percentage royalty.--The Operator, or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land described in Article 2,--(1) regardless of any certification of discovery or development, from the date of the contract until the lapse of the time within which the Government may make such certification of discovery or development, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first, unless the Government waives its right to a royalty; or (2) if the Government makes a certification of discovery or development, for a period of ten years* (or other period fixed by this contract) from the date of the contract, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of the net smelter returns, the net concentrator returns, or other amounts realized from the sale or other disposition of any such production (including any bonuses, premiums, allowances, or other benefits), in whatever form disposed of, including ore, concentrates, or metal, as follows:

(a) One and one-half ($1\frac{1}{2}$) percent of any such net amounts not in excess of eight dollars ($8.00) per ton.

(b) One and one-half ($1\frac{1}{2}$) percent of any such net amounts, plus one-half ($\frac{1}{2}$) percent of such net amounts for each additional full fifty cents ($0.50) by which such net amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such net amounts.

(For instance: the percentage royalty on a net amount of five dollars ($5.00) per ton, would be one and one-half ($1\frac{1}{2}$) percent; on a net amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

c. Definitions.--As here used, "net smelter returns", "net concentrator returns", and "other amounts realized from the sale or other disposition", mean gross revenue from sales; or if not sold, the market value of the material after it is mined in the form in which and the place where it is held. In the case of integrated operations in which the material is not disposed of as such, these terms mean what is or would be gross income from mining operations for percentage depletion purposes in income tax determination.

d. Lien for Payment.--To secure the payment of its percentage royalty, the Government shall have and is hereby granted a lien upon the land described in Article 2 and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

e. Notice to Purchasers.--The Operator shall notify any purchaser of the production of the Government's royalty interest, and shall authorize and direct the purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets; but failure or refusal by the purchaser to comply shall not relieve the Operator of liability to pay any royalty falling due.

f. No Obligation to Produce.--This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

*** The period "twelve years" is substituted for the period "ten years."**

53651

MF-203
(Revised July 1, 1953)

OWNER'S CONSENT TO LIEN

DEPARTMENT OF THE INTERIOR
Bureau of Mines
Administration
RECEIVED
APR 14 1954

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of Colorado, County of San Juan, described as follows:1/

Henriette mine comprising the Henriette (16526), Diesle (16830), Colonel Clay (16831), Dunbolt (16832), Jean Ann (16833), Colonel Queen (16834), Forbes Edge (16834A), Prosperity (16821), and La Cross (16820), patented mining claims and the extralimital 1, Betsaccosto 2, G.L.O. Lodie 1 and Lodie 2, unpatented mining claims all situated in the Red Mountain Mining District, Sec. 10, T.43N., R.4W.

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

2/ U. S. Metals Corporation
210 Mercantile Bldg.
Denver, Colorado

hereinafter called the "Operator"; and

WHEREAS, under the provisions of said contract the Government is entitled to a percentage royalty on production (as set forth on the reverse side hereof) and to other rights and equities which do or may conflict with or be adverse to the rights of the undersigned:

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

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

2. To secure the payment to the Government of the percentage royalty on production3/ provided for under the terms of said exploration project contract, or any amendment thereof, there is hereby granted to the Government a lien upon the land above referred to and upon any production of minerals therefrom, until said royalty is fully paid or ten years have elapsed from the date of the contract, whichever occurs first.

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

4. Changes and added provisions _____

Dated this 13th day of March, 1954.

BLUE BIRD MINING & MILLING COMPANY [Seal]

By: Naomi H. Jones [Seal]
Naomi H. Jones, Sec'y-Treas.

_____ [Seal]

1/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease [or contract, deed, or other document] dated _____, and recorded in book _____ page _____ official records of said county." If (b) is used, the book and page of recordation cannot be dispensed with. If the space provided is insufficient, use an Annex, and refer to the Annex in the space.

2/ Insert the name of the Operator as it will appear in the exploration project contract.

3/ Mining or production from the land is not required, and in the absence of production there is no obligation to repay the Government.

Repayment by Operator.--a. Certification.--If at any time the Government considers that a discovery or development from which production may be made has resulted from the exploration work, the Government, at any time not later than six months after the Operator has rendered the final report and final account, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

b. Percentage royalty.--The Operator, or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land described in Article 2,--(1) regardless of any certification of discovery or development, from the date of the contract until the lapse of the time within which the Government may make such certification of discovery or development, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first, unless the Government waives its right to a royalty; or (2) if the Government makes a certification of discovery or development, for a period of ten years (or other period fixed by the contract) from the date of the contract, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, as follows:

(a) One and one-half (1½) percent of any such net amounts not in excess of eight dollars ($8.00) per ton.

(b) One and one-half (1½) percent of any such net amounts, plus one-half (½) percent of such net amounts for each additional full fifty cents ($0.50) by which such net amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such net amounts.

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

c. Definitions.--As here used, "net smelter returns", "net concentrator returns", and "other net amounts realized from the sale or other disposition", mean gross revenue from sales; or if not sold, the market value of the material after it is mined in the form in which and the place where it is held. In the case of integrated operations in which the material is not disposed of as such, these terms mean what is or would be gross income from mining operations for percentage depletion purposes in income tax determination.

d. Lien for Payment.--To secure the payment of its percentage royalty, the Government shall have and is hereby granted a lien upon the land described in Article 2 and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

e. Notice to Purchasers.--The Operator shall notify any purchaser of the production of the Government's royalty interest, and shall authorize and direct the purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets; but failure or refusal by the purchaser to comply shall not relieve the Operator of liability to pay any royalty falling due.

f. No Obligation to Produce.--This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

Interior—Duplicating Section, Washington, D. C. 47318

COPY

May 24, 1954

Mr. W. H. King
Executive Officer, Field Team, Region IV
224 New Customhouse
Denver, Colorado

Dear Mr. King:

We are in receipt of your letter of May 19th, 1954 relative to royalty payments due the Government.

Enclosed is our checks totaling $1064.52 covering shipments T-1 to T-7 and No. 1 to No. 4 inclusive according to the terms of the new Annex to amendment No. 10 of contract DMTA E-29.

We are not in a position at present to send you a check for royalties on the last shipments as we had held back royalties based on the settlements of Shenandoah Dives Mining Co. Mill which allowed for the deductions of milling and trucking in computing net smelter returns. Consequently, we have had to use the money held back from the last shipments to make up the difference on lots T-1 to T-7 and No. 1 to No. 4 inclusive. The difference in computation amounts to $1053.79 as per enclosed check.

The Officers of U. S. Metals Corporation are making every effort to send the Government the balance of royalties due on the latter shipments as quickly as possible.

Respectfully submitted,

U. S. Metals Corporation

/s/ Carl H. Peterson

Carl H. Peterson
Secretary

DOCKET COPY

No. 9

AMENDMENT OF CONTRACT: No. I-DMA-E29

Contract Docket No. DMA 606, dated June 27, 1951, between the United States of America and U.S. Metals Corporation is hereby amended as follows, effective as of the date of said contract:

> Referring to Amendment No. 6, dated August 20, 1952, that portion which amended Article "3. Exploration Project" of Exploration Project Contract Form MF-200, delete the substituted "24 months" and in lieu thereof insert "30 months".

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Dated APR 1 3 1953

U. S. METALS CORPORATION

By Carl H. Peterson
Carl H. Peterson, Secretary

By Robert C. Brown
Robert C. Brown, President

UNITED STATES OF AMERICA

By C. Mittendorf
Administrator, Defense Minerals Exploration Administration

Seal

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 6 1953

APR 4 1953

MAY 1 8 1953

DIVISION COPY

No. 9

AMENDMENT OF CONTRACT: No. I-DMA-E29

Contract Docket No. DMA 606, dated June 27, 1951, between the United States of America and U.S. Metals Corporation is hereby amended as follows, effective as of the date of said contract:

> Referring to Amendment No. 6, dated August 20, 1952, that portion which amended Article "3. Exploration Project" of Exploration Project Contract Form MF-200, delete the substituted "24 months" and in lieu thereof insert "30 months".

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Dated APR 1 3 1953

U. S. METALS CORPORATION

By Carl H. Peterson
Carl H. Peterson, Secretary

By Robert C. Brown
Robert C. Brown, President

Seal

UNITED STATES OF AMERICA

By C. O. Mitteudorf
Administrator, Defense Minerals Exploration Administration

Robin Hollevad

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 6 1953

APR 4 1953

Defense Minerals Administration

APR 1 3 1953

No. 8

AMENDMENT OF CONTRACT: No. I-DMA-329

Contract Docket No. DMA 606, dated June 27, 1951, between the United States of America and U. S. Metals Corporation, is hereby amended as follows, effective October 1, 1952:

> Referring to Amendment No. 6, dated August 20, 1952, which amended EXHIBIT "C" attached to Exploration Project Contract Form DF-[illegible], further referring to said Amendment, EXHIBIT "C" caption "Operating Equipment", subheading "(b) [illegible]", delete the word "None" and in lieu thereof substitute the following:
>
> > 5 - Battery type Miners Lamps at $1.79 per lamp per month. The foregoing rental is allowable to the extent the 5-lamps are used exclusively for the benefit of the Exploration Project.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Dated November 3 1952.

U. S. METALS CORPORATION

By Carl T. Peterson
Carl T. Peterson, Secretary

By Robert C. Brown
Robert C. Brown, President

UNITED STATES OF AMERICA

By W. H. King
Executive Officer, DMA
Field Team, Region [illegible]

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

XXXXXXXXXXXX
WESTERN REGION

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
October 14, 1952

Memorandum

To: Executive Officer, Field Team, Region IV

From: Chief, Colorado Branch, Mining Division, Region IV

Subject: DMA 606, Contract I-DMA-E29 (Lead-zinc), U. S. Metals Corporation (Henrietta mine), San Juan County, Colorado - Request for amendment

Please find enclosed the original and five copies of Russell H. McLellan's memorandum concerning the request for amendment on the subject contract.

McLellan recommends the above amendment to allow for electric mine lamps for the project effective October 1, 1952, subject to proration if used on the company's other projects in the area. I concur.

W. M. Traver, Jr.

W. M. Traver, Jr.

enclosures

WMT/smh

cc 5
E29
DMEA Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
October 14, 1952

Memorandum

To: Chief, Colorado Branch, Mining Division, Region IV

From: Russell R. McLellan

Subject: DMA 606, Contract I-DMA-E29 (Lead-zinc), U. S. Metals Corporation (Henrietta mine), San Juan County, Colorado - Request for amendment

The subject operator has requested an amendment for rental of battery-type mine lamps. This request is a result of the acquisition of new lamps on a rental basis to replace old worn out lamps used previously. There has been no charge to the project until June 1952. June and July 1952 rental charges were disallowed because of the lack of an amendment.

The mine lamps will be used on both the Henrietta and Joe and John projects and possibly on the Silver Bay - Blackhawk subcontract. The amendment request refers to the Henrietta only and presumably the operator expects to charge all the rental to that project.

The amendment is recommended with an effective date of October 1, 1952, suggested and subject to proration according to use.

Russell R. McLellan
Russell R. McLellan
Mining Engineer

SWH/amh

cc 5
E29
DMEA Chron.

October 2, 1969

Mr. W. H. King,
Executive Officer
Field Team, Region IV
201 New Customs House
Denver, Colorado

Re: DTA-200 Contract I-DTA-1-20
DTA-1970 Contract I-DTA-1-200

Dear Mr. King:

In going over our Supplemental Contract dated August 20, 1969, we find that the rental for electrical heats was over looked. This amounts to $80.00 per month so we also requesting your approval for this item. This, of course, does not change the over all total of supplies listed in our contract dated August 20, 1969.

Trusting this meets with your approval, we remain,

Very truly yours,

U.S. TRUCK CONVERTERS

By Carl W. Peterson
Carl W. Peterson, Secretary

CWP:w

No. 7

DOCKET COPY

AMENDMENT OF CONTRACT: No. I-DMA-E29

Contract Docket No. DMA 606, dated June 27, 1951, between the United States of America and U.S. Metals Corporation is hereby amended as follows, effective as of the date of said contract:

> Referring to Amendment No. 6, dated August 20, 1952, which amended Exhibits "A", "B", "C", "D" and "E" attached to Exploration Project Contract Form MF-200; further referring to said Amendment, caption "Exhibit "A", subheading "The Exploration Project", sub-item "(5)", add the following: Drifting around extensively caved sections of the Henrietta No. 7 Tunnel, in lieu of rehabilitation of that portion of the Tunnel, is allowable to the extent approved by the DMEA representative, if in his opinion the drifting in lieu of rehabilitation will effect a saving to the DMEA Project.
>
> Referring to the said Amendment, caption "Exhibit "C", heading "Operating Equipment", subheading "(a) To be Purchased", add the following:
>
> 2 - Fire Extinguishers, estimated cost $104.00
> 1 - Bench Grinder, estimated cost 60.80

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Dated October 1, 1952.

U. S. METALS CORPORATION

By Carl H. Peterson
Carl H. Peterson, Secretary

By Robert C. Brown
Robert C. Brown, President

UNITED STATES OF AMERICA

By W. H. King
Executive Officer, DMEA
Field Team, Region IV

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20
Denver Federal Center
Denver 14, Colorado
August 27, 1952

Memorandum

To: Executive Officer, Field Team, Region IV

From: Chief, Colorado Branch, Mining Division, Region IV

Subject: DMA 606, Contract I-BMA-829 (Lead-zinc), U. S. Metals Corporation (Henrietta mine), San Juan County, Colorado - Request for amendment

Please find enclosed the original and five copies of Scott W. Hasan, Jr.'s memorandum recommending approval of all items of the above amendment request except number six which is considered unnecessary for the exploration project. It could well be a concern of the contractor should he carry on after the present job is completed.

I agree with the recommendations.

W. M. Traver, Jr.

W. M. Traver, Jr.

enclosures

WMT/dd

cc 5
829
DMA Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20
Denver Federal Center
Denver 14, Colorado
August 25, 1952

Memorandum

To: Chief, Colorado Branch, Mining Division, Region IV

From: Scott W. Hasen, Jr.

Subject: IBA 606, Contract I-IBA-229 (Lead-zinc), U. S. Metals Corporation (Henrietta mine), San Juan County, Colorado - Request for amendment

Carl H. Peterson, Secretary of the U. S. Metals Corporation, has, by letter dated August 8, 1952, requested an amendment to the subject contract. This request concerns the following items:

1. Drive a lateral drift around a new cave-in on the Henrietta drift;

2. Provide rental payments for two fans at $51.00 each per month, beginning August 1, 1952;

3. Purchase of two fire extinguishers at $32.00 each per request of the state mine inspector;

4. Purchase of a bench grinder at a cost of $60.80;

5. Reinstatement of the sum of money charged for gas, oil, and transportation costs during the past life of the project (This amount was deducted by the auditors when auditing the company accounts);

6. Allow purchase of pipe and labor cost for installing 4-inch pipe line between the Joe and John mine and the Henrietta mine in order to interlock compressors at the two mines.

Item 1: When the Henrietta mine was examined on July 16, 1952, the rehabilitation of the Henrietta drift had progressed about 60 feet beyond the intersection of the winze crosscut. The operator had nearly completed picking up a very bad cave which was approximately 50 feet long. He had spent most of the month on this work. Because

of bad air, it was impossible to crib between the top of the new timber placed and the back of the cave. The area being opened was quite wide, evidently a result of a double track or back switch along the Henrietta vein where the main Henrietta No. 7 tunnel intersected the Henrietta vein. A few days later the entire area being cleaned collapsed and completely refilled the 50 feet of advance within the cave. The height or extent of the cave is unknown but appears to be very extensive. The operator immediately decided to utilize the crosscut to the winze and, from a point near the winze, to drive a lateral drift around this cave. This was the logical decision as it could be done for less money than attempting to reopen the cave. From what could be seen beyond the caved area, it appeared that the remaining portion, or at least part of the Henrietta drift, was open. The lateral drift, after being extended about 50 feet, will be turned and cut back into the Henrietta drift beyond the newly caved area.

Approval of this lateral drift is recommended and, in the event the drift is caved beyond the last point of advance, it may be advisable to continue the lateral approximately another 100 feet to reach the end of the old Henrietta workings. Verbal permission can be given at this time to advance the lateral, with final amount of drifting determined after the lateral has been holed to the Henrietta drift and the drift investigated beyond this point.

<u>Item 2</u>: This item is automatically taken care of by the amendment to provide additional funds for the project wherein the purchase of two ventilation fans is allowed. Purchase of the fans will be cheaper than rental.

Item 3: The purchase of two fire extinguishers can be approved; however, they have been purchased and submitted on the June account.

Item 4: The purchase of the bench grinder can be recommended as an assistance to the work.

Item 5: These charges, which were deleted by the auditors, are all provided for in the recent amendment allowing additional funds for the project and are, therefore, allowed automatically from the original date of the contract.

Item 6: This, in my opinion, is a production problem and is not necessary to the exploration project. Although the operator alleges to have some 400 feet of pipe on hand, I rather believe this is pipe which has already been purchased for the exploration work and would, in reality, be an expense of the new installation. This item is not recommended.

Scott W. Hazen Jr.
Scott W. Hazen, Jr.,
Mining Engineer

SWH:dd

cc 5
EEO

August 8 1962

Mr. V. H. King, Executive Officer
Field Zone, Region IV
Bur Rec Custom House
Denver, Colorado

RE: RWA-806 Contract I-BWA-2-20
RWA-1070 Contract I-BWA-2-200

Dear Mr. King:

On July 18, 1962 we experienced a small cave in in the Henriotta tunnel which was of sufficient extent to crush three sets of new timber which we had stood and break the struts which we were carrying overhead to protect the drilling crew and also injured one man slightly. After looking the situation over every one concerned was agreed that it was not feasible to attempt to continue reopening this section of the drift. The alternative was to drive around it from an adjacent cross cut in the hope that we could by pass this serious caved area. We informed Mr. Hazen of our opinions and decision and suggested that the change would result in reaching our objective at less cost to us and to the government, but we were not aware at that time that we should have made formal application to you or other Bureau of Mine authorities for the change in the nature of the work so that it would have qualified for government participation. We are now belatedly requesting official authorization to proceed with this bypass work and to have this work included in the loan project.

We expect to bolt into the old Henriotta drift again in the next day or two and in the event that the conditions of the old workings are very bad and it would be extremely costly and extra hazardous to reopen those old workings we are herewith requesting your approval of our intent to drift along side the old workings in solid ground if in the opinion of our staff this can be done at less cost than the reopening.

We are requesting herewith your approval for government participation in the rental payments for two fans beginning August 1, 1962, being used in the ventilation of the Henriotta tunnel project. The cost for each fan is $21.00 per month and two are required in as much as the tunnel has progressed beyond the capacity of the first fan.

We would also like to have the approval of the purchase of two fire extinguishers at $50.00 each or a total of $100.00. These two extinguishers are required as fire protection at the compressor house and at the fan located in the portal sets. These extinguishers were purchased on demand by the State Mine Inspector that we furnish this protection.

We would also like to have the approval for the purchase of a bench grinder at the wholesale cost of $60.00 for grinding small tools.

As a result of the recent audit of our contract on this project a claim for $683.48 was disallowed for oil and gasoline and minor repairs to jeeps which are used in the transportation of the men from Silverton to the mine. We request reconsideration of this item on the basis that the project may not be carried on if transportation is not provided. In the event that approval cannot be given for this item retroactively we are requesting that consideration be given to inclusion of this item on and after August 1, 1952.

With reference to MSA 006 and MSA 1070 1[illegible]-000 which applies to the Joe and John mine across the gulch from the Henrietta there is at the latter property an electric driven compressor of ~~[illegible]~~ sufficient capacity to provide for both projects. We feel that it would be a good practice to extend an existing air line from a point near the lift to the Henrietta portal and connect it to our existing air line there. This work would provide us with a stand-by compressor for use at the Henrietta in the event of a break down there and likewise allow the present Henrietta compressor to serve the Joe & John in the event of electric failure. We can provide approximately 400 feet of 4-inch pipe which we have on hand at the mine now. The project would require an additional 300 feet of 4-inch pipe and the cost of labor to install the air line connection is estimated to be $270.00. We are requesting that you consider this proposal and if it meets with your approval that we be authorized to proceed with the work.

Very truly yours,

U.S. MINES CORPORATION

By Carl K. Peterson

Carl K. Peterson, Secretary

CKP:sw

No. SC 1

STATE OF COLORADO

OFFICE OF THE SECRETARY OF STATE

UNITED STATES OF AMERICA,
STATE OF COLORADO. } ss.

CERTIFICATE.

I, George J. Baker, Secretary of State, of the State of Colorado, do hereby certify that the annexed is a full, true and complete copy of Amendment to Articles of Incorporation of U. S. OIL & DEVELOPMENT CORPORATION changing name to

U. S. METALS CORPORATION

filed in this office on the TWENTY-EIGHTH day of MAY, A.D. 1952, at 3:30 o'clock p. m., and admitted to record.....

..... IN TESTIMONY WHEREOF I have hereunto set my hand and affixed the Great Seal of the State of Colorado, at the City of Denver, this ---SEVENTEENTH-- day of -----JULY------ A. D. 1952

Geo. J. Baker
SECRETARY OF STATE.

BY Jas. W. Graham
DEPUTY.

C. F. HOECKEL CO., DENVER.

AMENDMENT TO ARTICLES OF INCORPORATION
of
U. S. OIL & DEVELOPMENT CORPORATION

KNOW ALL MEN BY THESE PRESENTS that a special meeting of the stockholders of U. S. Oil & Development Corporation was held pursuant to call of the President of the company, and in compliance with the applicable statutes of the State of Colorado, at the principal office and place of business of said corporation in Denver, Colorado, on April 22, 1952, for the purpose of amending its Articles of Incorporation.

At such meeting, more than two-thirds of the stockholders of the company were present in person or by proxy.

On motion duly made, seconded and unanimously carried, it was:

RESOLVED, that Article I of the Articles of Incorporation be and the same hereby is amended to read as follows:

"ARTICLE I.

"The corporate name and style of the said corporation shall be U. S. UTILS CORPORATION."

It was further resolved that such amendment be forthwith executed on behalf of the corporation by its proper officers and filed with the Secretary of State of the State of Colorado.

IN WITNESS THEREOF, the above and foregoing amendment is made and executed by the President and Secretary of U. S. Oil & Development Corporation, on behalf of the said corporation, and its corporate seal hereunto affixed, at Denver, Colorado, this 25th day of April, A. D. 1952.

U. S. OIL & DEVELOPMENT CORPORATION

By Robert C. Brown
President

ATTEST:

Stel Pierson
Secretary

121887

Certificate of Amendment

Certificate of Incorporation

of U.S. OIL AND DEVELOPMENT CORPORATION

RECORDED

BOOK 619 PAGE 33

to U.S. METALS CORPORATION

28th May

52 3:30 P.

This document has been inspected and properly entered on the records of the State Tax Commission.

OK

Date June 2, 1952

Winter Clerk

No. 6

DOCKET COPY

AMENDMENT OF CONTRACT: No. I-DMA-E29

Contract Docket No. DMA 606, dated June 27, 1951, between the United States of America and/U. S. Metals Corporation, formerly U. S. Oil and Development Corporation is hereby amended as follows:

Referring to the Amendment dated June 27, 1951, which amended "Exhibit A" and "Exhibit D" attached to Exploration Project Contract Form MF-200, said Amendment is hereby voided effective as of its effective date.

Referring to the Amendment dated December 18, 1951, which amended "Exhibit D" attached to Exploration Project Contract Form MF-200, said Amendment is hereby voided effective as of its effective date.

Referring to the Amendment dated January 24, 1952, which amended Article "3" of Exploration Project Contract Form MF-200, said amendment is hereby voided effective as of its effective date.

Referring to the Amendment dated February 15, 1952, which amended "Exhibit B" attached to Exploration Project Contract Form MF-200, said amendment is hereby voided effective as of its effective date.

Referring to the Amendment dated February 15, 1952, which amended "Exhibit D" attached to Exploration Project Contract Form MF-200, said amendment is hereby voided effective as of its effective date.

The matter hereinafter referred to, which in part replaces the foregoing, is made effective as of the date of said contract.

Referring to "EXHIBIT "A", "EXHIBIT "B", "EXHIBIT "C", "EXHIBIT "D"and "EXHIBIT "E" attached to Exploration Project Contract Form MF-200, delete said Exhibits and in lieu thereof substitute the following:

Exhibit "A"

The Exploration Project

(1) Construction and maintenance of an access road from Lark Mine road to the top of the dump of the Henrietta No. 7 tunnel and access roads in the vicinity of the tunnel to obtain timber from the mining claims. This work is limited in extent to that approved by the DMEA Representative.

(2) Extend the power transmission line from the main line near the Lark Mine to the Henrietta No. 7 tunnel approximately 1,000 feet.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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Defense Minerals Administration
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(3) Construct and maintain snowshed, compressor house, change room and fan house at the Henrietta No. 7 tunnel portal.

(4) Repair H-D Allis-Chalmers Tractor-bulldozer, cost to include labor and parts.

(5) Rehabilitate approximately 1600 feet of the Henrietta No. 7 tunnel.

(6) Rehabilitate a 580 foot raise from Henrietta No. 7 to No. 1 Tunnel. The raise will be rehabilitated only to the extent necessary to provide air passage for ventilation.

(7) Drifting on the Henrietta, Surprise or other veins an aggregate maximum of 700 feet. Tentative location of drifts are shown on the attached map. Direction and extent of drifting is subject to prior approval by the DMEA Representative. Such drifting will be discontinued at any time the indications of mineralization, or structure, are unfavorable to justify continuation of the work.

(8) Raising or sinking on the Henrietta and Surprise veins not to exceed an aggregate maximum of 400 feet or to the extent of funds allocated or remaining for such work. Location and extent of such raises or winzes is contingent on conditions encountered in the drifts under item (7) above, and subject to prior approval <u>in writing</u> by the DMEA Representative.

<u>Estimate of Project Costs</u>

(1)	Access Road Construction and maintenance	$2,126.74
(2)	Power Line extension	384.58
(3)	Building construction and maintenance	3,829.98
(4)	Repairs to H-D Allis-Chalmers Tractor	5,655.48
(5)	Rehabilitation of Henrietta No. 7 Tunnel	42,547.12
(6)	Rehabilitation of 580 foot Raise	5,800.00
(7)	Drifting a maximum of 700 feet	24,500.00
(8)	Raising or sinking a maximum of 400 feet	16,000.00
	Equipment purchases	12,794.44
Total estimated cost of project		$113,638.34

<u>Details of the Estimated Project Costs</u>

<u>Exhibit "B"</u>

<u>Fixtures and Improvements</u>

1 - Construction and maintenance of access roads - Labor, Supervision, Supplies and Other $2,126.74

2 - Power Line Construction - Labor, Supervi[illegible], Supplies and Other

3 - Construction and Maintenance of Snowshed, Change room, and Compressor-Fan house - Labor, Supervision, Supplies and Other $384.58

Total estimated cost of Fixtures and Improvements - 98 6,[illegible]

Exhibit "C"

Operating Equipment

(a) To be purchased

	Estimated C[illegible]
1 - Compressor, Chicago-Pneumatic, 315 c.f.m. with D8800 Caterpillar engine, skid mounted, with 42" x 10' air receiver and fuel tank, used	$3,500.0[illegible]
1 - Power Saw, Electric driven	138.7[illegible]
1 - Tramaire	1,779.90
1 - Rail Bender	90.20
1 - Welding Outfit	142.49
1 - Electric Drill	46.25
1 - Socket Wrench Set	61.88
1 - Wheelbarrow (Rubber tired)	35.00
1 - Electric Motor, 100 H.P. (for fan)	100.00
1 - Water Pump	200.00
10 - 1 Ton Mine Cars	1,000.00
2 - Jackhammers with pusher legs	1,000.00
2 - Ventilation Fans	1,250.00
1 - Drill Bit Grinder	190.00
1 - Hoist, air driven (1200 feet cable capacity)	760.00
600 Feet 12-inch Vent Pipe	840.00
800 Feet 10-inch Vent Pipe	960.00
700 Feet 8-inch Vent Pipe	700.00
Total Estimated Cost	$12,794.44

(b) To be Rented

None

(c) To be furnished by Operator

2 - Mucking Machines, Gardner-Denver No. 9
1 - Scaife water pressure tank
1 - Chicago-Pneumatic 60N Drifter
1 - Double screw column 3½" x 6', complete
1 - Barko Model J-29, exhaust-blower type driller
1 - 3/4 Ton pull-lift hand hoist

1 - Mine Transit, Buff and Buff
1 - Chicago-Pneumatic Jackhammer
1 - Power Saw, gasoline engine driven
1 - Drifter, Gardner-Denver No. 79
1 - Stoper, Gardner -Denver
1 - Pickup truck, Jeep, 4-wheel drive
1 - Command Car, Dodge 4-wheel drive
1 - Station Wagon, Jeep, 4-wheel drive
1 - Tractor-Bulldozer, Allis-Chalmers, Model H-D

The above listed equipment, except for initial repairs to the Tractor-Bulldozer, will be furnished free of charge to the DMEA Project work except for necessary reasonable repairs caused by ordinary wear and tear and for operating expense. In the event any of the listed equipment is used on work other than the DMEA project the repair and operation expenses shall be prorated on a basis which will provide an equitable distribution of the costs.

Exhibit "D"

Labor and Supervision

Labor

Class	Maximum Base Rate of Pay
Miner	$1.75 per hour
Mucker	1.50 " "
Trammer	1.50 " "
Laborer	1.50 " "
Carpenter (1 allowed)	1.75 " "
Bulldozer Operator	2.00 " "
Mechanic	400.00 per month, maximum charge
Superintendent	500.00 per month, maximum charge

The labor involved in reopening the Henrietta No. 7 tunnel may be paid on the basis of units of work performed in lieu of the base hourly rate of pay. Payment to the crew in the heading shall not exceed a maximum of $10.00 per foot of completed advance including track and air line installation.

Crews engaged in advancing drift and raise headings may be paid on the basis of units of work performed, at a rate not to exceed $15.00 per foot of advance.

Crews engaged in sinking winzes may be paid on the basis of units of work performed, at a rate not to exceed $40.00 per foot of advance.

Hourly rates of pay are based on a 40-hour week with time and one-half allowable for overtime.

Total estimated cost of Labor and Supervision, including applicable taxes and insurance - $49,300.00

Exhibit "E"

Repairs and Rehabilitation	Estimated Cost
Repair of H.D. Allis-Chalmers Tractor-Bulldozer	
Total Labor and Parts	$ 5,655.48

Exhibit "F"

Material, Supplies and Other

Rail and track supplies, Pipe, Timber, Vent Tubing, Explosives, Power, Fuel and Lubricants, Power Line Supplies, Building Material and Supplies, Repair Parts, and any other Materials and Supplies necessary for completion of the Project work including costs of freight and haulage charges thereon.

Total estimated cost - $45,888.42

Summary of Estimated Project Costs

Exhibit "C" - Operating Equipment (Purchase)	$12,794.44
Exhibit "D" - Labor and Supervision	49,300.00
Exhibit "E" - Repairs and Rehabilitation	5,655.48
Exhibit "F" - Material, Supplies, Power and Other	45,888.42
Total estimated cost of Project	$113,638.34

Referring to Article "3. Exploration Project" of Exploration Project Contract Form MF-200, following the words "all properly designed to bring the project to completion within a period of", delete "6 months" and in lieu thereof substitute "24 months".

Referring to Article "11. Participation by the Government of Exploration Project Contract Form MF-200", delete the figures

"23,825.00" and in lieu thereof substitute the figures "56,819.17"; delete the figures "47,650.00" and in lieu thereof substitute the figures "113,638.34".

Dated Aug 20th, 1952.

U. S. METALS CORPORATION, formerly
U. S. OIL & DEVELOPMENT CORPORATION

By [signature]
Secy.

Robert C. Brown
Pres.

UNITED STATES OF AMERICA

By [signature]
Acting Administrator
Defense Minerals Exploration
Administration

Hoffland
Osborne
Chamberlin

Docket

AMENDMENT OF CONTRACT: No. I-DMA-K29

Contract Docket No. DMA 606, dated June 27, 1951, between the United States of America and U. S. Oil and Development Corporation is hereby amended as follows, effective as of the date of said contract:

Referring to Exhibit B attached to Exploration Project Contract Form MF-200, under title Fixtures and Improvements: add the following:

"Snow Shed	
Labor	$250.00
Material	260.00
Change Room	
Labor	200.00
Material	225.00
Compressor and Fan House	
Labor	325.00
Material	350.00
TOTAL	$1,610.00"

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Dated February 15, 1952.

U. S. OIL & DEVELOPMENT CORPORATION

By [signature]

UNITED STATES OF AMERICA

By [signature]
Executive Officer - DMA

gwo

Docket

AMENDMENT OF CONTRACT: No. I-DMA-E29

Contract Docket No. DMA 606, dated June 27, 1951, between the United States of America and U. S. Oil and Development Corporation is hereby amended as follows, effective February 1, 1952:

> Referring to Exhibit D attached to Exploration Project Contract Form MP-200 under title "Labor and Supervision" delete the following: "1 Mechanic" insert the following: 1 Mechanic at $400.00 per month.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Dated February 15, 1952

U. S. OIL AND DEVELOPMENT CORPORATION

By Carl H. Pierson

UNITED STATES OF AMERICA

By J. H. Earnest
Executive Officer, DMA

jw

5

Please number & slip on

Omen Docket Copy

SA

AMENDMENT OF CONTRACT: No. L-DMA-829

Contract Docket No. DMA-606, dated June 27, 1951, between the United States of America and U. S. Oil and Development Corporation is hereby amended as follows:

Referring to Article "3. Exploration Project" of Exploration Project Contract Form MF-200, after the words, "all properly designed to bring the project to completion within a period of"; strike out the following: 6 months. Insert the following: 13 months.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Dated January 24, 1952.

jus

U. S. OIL AND DEVELOPMENT CORPORATION

By Earl H Peterson

UNITED STATES OF AMERICA

By J. H. Smith

Executive Officer - DMRA

[illegible]

[illegible]

[illegible]

[illegible]

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

224 New Customhouse
Denver 2, Colorado

January 24, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Amendment to Contract I-DMA-E29, Docket DMA 606, U. S. Oil and Development Corporation

Enclosed are the original and two copies of an amendment to the above contract. Copies of this amendment have been given to the operator and to the Fiscal Officer, Region IV, and we have retained a copy for our files.

J. H. East, Jr.

J. H. East, Jr.

Enclosures

JFS:ld

cc: Docket, contract, chron.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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A.a.

AMENDMENT OF CONTRACT: No. I-DMA-E29

Contract Docket No. DMA-606, dated June 27, 1951, between the United States of America and U. S. Oil and Development Corporation, is hereby amended as follows:

> Referring to Exploration Project Contract Exhibit "D", attached to the contract, under "Labor and Supervision", add the following:
>
> "The rate of pay of the miners engaged in reopening the Henrietta Tunnel may be determined by the amount of advance. The crew of miners in the heading will be paid a maximum of $10.00 per foot of advance.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article II of the contract form.

Dated December 18, 1951.

U. S. OIL AND DEVELOPMENT CORPORATION

By [signature]

UNITED STATES OF AMERICA

By [signature]
Executive Officer - DMA

JAN 15 11 21 AM '52
DISPOSAL MINERALS ADMINISTRATION WASHINGTON, D.C.

AMENDMENT OF CONTRACT NO. I-DMA-[illegible]

Contract Docket No. DMA-626, dated June 27, 1951, between the United States of America and W. S. Oil and Development Co., is hereby amended as follows:

1. Exhibit A is amended to permit construction of that portion of the road from the lease road to the lower edge of the Barrington dump which was built after June 27, 1951, the effective date of the contract. Exhibit A is also amended to permit construction of a road from the above road to the top of the dump, as well as a things road in the vicinity of the portal after June 27, 1951. No further road work will be allowed without prior permission is granted in writing by the Executive Officer, DMA, Region IV. Exhibit 3 is amended to provide for a carpenter at $1.75 per hour and a helper operator at $1.50 per hour.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 13 of the contract form.

Dated June 27, 1951.

W. S. OIL & DEVELOPMENT COMPANY

By Carl R. Peterson
Carl R. Peterson, Secretary

By Robert C. Brown
Robert C. Brown, President

UNITED STATES OF AMERICA

By J. H. Ebb
J. H. Ebb, Jr.
Executive Officer
Defense Minerals Administration

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 2/7/52

REFERRED TO:

1. ~~Mrs. Berry - Rm. 1624~~
2. Miss Austin
3.
4.

FOR:

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

REMARKS: According to Reg. IV's monthly report, deep winter snow has prevented operations since December and work cannot be resumed until spring. The amendment therefore seems necessary to extend the working period and we approve.

Check (X) before the items needing attention.

D. E. Moulds

MEH

Initials of sender.

GPO 16—63815-1

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 2/5/52

REFERRED TO:

1. Mr. Moulds, Rm. 2612
2. Alberry Rm-4624
3.
4.

FOR:

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

REMARKS: Mr. Johnson would like you to check attached ~~memo~~ amend. before distribution, indicating approval or otherwise. Return all cys to OP. Com. from where distribution will be made.

Check (X) before the items needing attention.

Frank E. Johnson
(FEJ) *Initials of sender.*

GPO 16—63815-1

MF-200
(April 1951)

D Mallee

Docket No. DMA 606
Commodity Zinc, Lead & Copper

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

EXPLORATION PROJECT CONTRACT [1]

It is agreed this 27th day of June, 195[illegible], between the United States of America, acting through the Department of the Interior, Defense Minerals Administration, hereinafter called the "Government," and [2]

G. C. Oil and Development Corporation
225-11-16 Mercantile Building
15th & Arapahoe Streets
Denver 2, Colorado

hereinafter called the "Operator," as follows:

1. *Authority for contract.* This agreement is entered into under the authority of the Defense Production Act of 1950, pursuant to Mineral Order 5, entitled "Regulations Governing Government Aid in Defense Exploration Projects."

2. *Operator's property rights.* The exploration project shall be conducted on that certain property situated in the State of Colorado, County of San Juan described as follows: [3]

Henrietta mine comprising the Henrietta (15526A), Lizzie (15520), Mineral King (2051), Humbolt (15526A), Home Run (15526A), Mineral Queen (1622), Narrow Gauge (15526A), Prosperity (18621), and La Cross (18620), patented mining claims and the Tetrahedrite #1, Tetrahedrite #2, C.L.K., Moodie #1 and Moodie #2, unpatented mining claims all situated in the Red Mountain Mining District, Sec. 19, R.5W, T.43N.

(*b*) That he is a lessee, in possession and entitled to possession, and the subordination agreement of the lessor is attached.

3. *Exploration project.* The Operator, within 30 days from the date of this contract shall commence work on a project of exploration for [5] Lead - Zinc - Copper; shall prosecute the work efficiently, expertly, in a workmanlike manner, in accordance with good mining standards, with suitable and adequate equipment, materials, and labor, all properly designed to bring the project to completion within a period of [6] 6 months from the date of this contract. The exploration project and the work to be performed are more fully described on Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, is made a part of this contract.

4. *Performance of the work.* The work shall be performed by the Operator, under his sole direction and control: *Provided,* That with the consent of the Government and its written approval of the contract or contracts, all or any part of the work may be performed by the Operator through contract or contracts with independent contractors. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

5. *Fixtures and improvements.* The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof. Attached hereto, marked "Exhibit 'B'," is a detailed list of additional facilities, buildings, and fixtures, to be purchased, installed, or erected by the Operator, with the estimated cost of each, to which the Government will contribute its agreed pro-rata share of the cost. The difference between the cost of such additional facilities, buildings, or fixtures, and the salvage value thereof at the conclusion of the work, shall be charged as a cost of the project to which the Government has contributed its pro-rata share.

6. *Operating equipment.* Attached hereto, marked "Exhibit 'C'," is a detailed list of operating equipment divided into categories of items to be rented, purchased, or furnished by the Operator, with the allowable rental, purchase price, or rental value, as the case may be, annexed to each. As to equipment purchased for the project, the Government will contribute its agreed pro-rata share of the cost thereof, and the difference between the cost and the salvage value at the conclusion of the work shall be charged as a cost of the project to which the Government has contributed its pro-rata share.

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] State name, address, and nature of organization if any.
[3] Give legal description or enough to identify the property.
[4] Strike out the provision not applicable.
[5] Name of mineral.
[6] Not in excess of 2 years.

File Copy

7. *Title to and disposition of property.* All facilities, buildings, fixtures, equipment, or other items costing more than $50 each, paid for or purchased with funds contributed jointly by the Operator and the Government, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the termination of the contract, if they have any salvage value, shall be disposed of for their joint account unless the Government, in writing, waives its interest in any such items. The Government may require the dismantling, severance from land, and removal of any such items in order to realize its interest in the salvage value thereof, and the cost of any such removal and of the disposal of the items shall be for the joint account of the parties in proportion to their respective interests.

8. *Labor and supervision.* Attached hereto, marked "Exhibit 'D'," is an itemized schedule of labor, by numbers and classes (miners, muckers, millmen, etc.), and of supervisors, by numbers and positions, with the maximum wages or salaries that may be paid to each as an allowable cost of the project.

9. *Rehabilitation and repairs.* Attached hereto, marked "Exhibit 'E'," is a detailed schedule of existing facilities, buildings, installations, and fixtures, with a statement of the cost of any necessary rehabilitation or repairs to put into useful and operable condition, which cost shall be allowed as a cost of the project.

10. *Allowable costs of the project.* The allowable costs of the project in which the Government will participate are limited to the necessary, reasonable, direct costs of performing the exploration work, including the costs of materials, supplies, engineering, power, water, and utilities, including items of equipment costing less than $50 each; and the costs referred to in Articles 5, 6, 8, and 9, and the exhibits annexed to and referred to in the contract. Although the Government may pay part of the cost of new or additional facilities, structures, buildings, and equipment, only the depreciation on such items, computed as indicated in Articles 5 and 6, will be charged as a cost of the project. No items of general overhead, corporate management, interest, or any other indirect costs not expressly allowed by these regulations, or work performed or costs incurred before the date of this contract, shall be allowed as costs of the project in which the Government will participate.

11. *Participation by the Government.* At the end of the first full calendar month after the Operator has commenced work for the project, and at the end of each succeeding calendar month, the Operator shall submit to the Government a voucher for payment with a detailed statement of work done and allowable costs (as defined in Article 10 of this agreement) incurred, in a form and with supporting data acceptable to the Government. After approving the voucher, the Government shall pay to the Operator ---50--- percent of the sum of such costs incurred; *Provided,* That the aggregate total of all sums paid by the Government under this agreement shall not exceed $---[illegible]---, which is ---50--- percent of the agreed estimated total cost of this project, $---[illegible]---.

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

13. *Progress reports.* The Operator shall provide the Government with monthly reports of progress in form and content satisfactory to the Government, and upon the completion of the project or termination of the contract shall provide the Government with a comprehensive geologic and engineering report, including an estimate of ore reserves, to the best of his ability. Four copies of all reports shall be furnished to the Government.

14. *Repayment by Operator.* If, upon the completion of the exploration project or termination of the contract, the Government considers that a discovery or development has resulted from the work from which commercial production of ore may be made, the Government, within 6 months thereafter shall so certify to the Operator, particularly describing and delimiting its estimate of the discovery or the development. Thereafter, if and as ore is produced as a result of such discovery or development, the Operator and his successor in interest shall be and become obligated to pay to the Government a percentage royalty on the net smelter returns or other net proceeds realized from such ore, concentrates, or metal produced within ten (10) years from the date of this contract, until the total amount contributed by the Government, without interest, is fully repaid or said 10 years have elapsed, whichever occurs first, as follows:

Of net smelter returns or other net proceeds not in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent.

Of net smelter returns or other net proceeds in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent, plus one-half (½) percent additional for each full fifty cents ($0.50) in excess of eight dollars ($8.00) per ton of ore, but not in excess of a maximum of five (5) percent.

This obligation to repay from net returns or proceeds shall be and remain a claim and lien upon the property which is the subject of the exploration project and upon any production resulting from such discovery or development, in favor of the Government, until fully paid, or until said 10-year period has elapsed; and this claim and lien and the Government's right to repayment shall survive any termination of the contract, whether by completion of the exploration project or otherwise. This article is not to be construed as imposing any obligation on the Operator or his successor in interest to produce ore from any such discovery or development.

15. *No assignment of contract.* Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder.

16. *Termination and completion.* The Government may, at any time, by written notice to the Operator, terminate this contract: (*a*) If the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (*b*) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (*c*) if in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worthwhile discovery and in the opinion of the Government further operations are not justified. Upon the completion of the project or any termination of the contract the Operator shall render to the Government a full and final accounting of his operations under the contract and his expenditures of money; shall dispose of any unused materials, supplies, and equipment for the joint account of the Operator and the Government in the proportion of their respective interests; and shall pay to the Government its pro-rata share of any money remaining.

Executed in triplicate the day and year first above written.

U.S. Oil & Development Corp.
(Operator)

By Jack Patterson Brey
Robert C. Brown

THE UNITED STATES OF AMERICA

By [signature]
Administrator
Defense Minerals Administration

U.S. GOVERNMENT PRINTING OFFICE 16—64066-1

DMA-606
E-29

DOCKET NO. DMA - 606 (Zinc-Lead-Copper)

U. S. Oil and Development Corporation

Exploration Project Contract

EXHIBIT "A"

Rehabilitation of the Henrietta No. 7 tunnel, approximately 1,600 ft. and of a raise to the No. 1 tunnel.

Supplies	Estimated Costs	
Drill steel and bits	$ 600.00	
Pipe - 3,500 ft.	1,675.00	
Vent pipe - 1,500 ft.	900.00	
Timber	3,000.00	
Rail, ties, spikes, etc.	2,700.00	
Powder, fuse and caps	530.00	$ 8,405.00
Labor		11,570.00
		$19,975.00

Drift on the Surprise vein in the No. 7 tunnel - 100 ft. @ $35.00 per ft. Labor $1,920.00
Supplies 1,580.00 $ 3,500.00

Equipment purchase	13,875.00 ✓
Freight and trucking	1,500.00
Supervision	1,500.00 ✓
Power poles and wire	1,000.00 ✓
Repair of bulldozer	3,000.00 ✓
Electric power (5 months @ $400.00 per month)	2,000.00
Total cost of Project	$47,650.00

EXHIBIT "B"

Mixtures and Improvements	Estimated Costs
3 Power poles and wire	$1,000.00 ✓

EXHIBIT "C"

Operating Equipment to be purchased:	Estimated Costs
10 - 1 ton mine cars @ $100.00 each	$ 1,000.00
1 - Mucking Machine	2,812.00
1 - Leyner-drifter	785.00
1 - Jack hammer	330.00
1 - Air compressor (420 cu. ft.)	4,200.00
1 - Large air receiver	150.00
1 - 5 H.P. Exhaust fan (12 in.)	450.00
1 - Air trammer complete	1,800.00
1 - Tugger hoist	510.00
2 - Air hoses @ $75.00 each	150.00
2 - Water tanks @ $65.00 each	130.00
Total	$13,275.00 ✓

DOCKET NO. DMA - 606 (Zinc-Lead-Copper)

W. S. Oil and Development Corporation

Exploration Project Contract

EXHIBIT "D"

Labor and Supervision

6 Miners, 1 mechanic and 1 laborer for 140 shifts each @ $1[illegible],00 average per shift.	$13,440.00
1 Superintendent - 5 months @ $500.00 per month	2,500.00

EXHIBIT "E"

Repairs and Rehabilitation:

Repair of H. D. Allis-Chalmers caterpillar bulldozer	$3,000.00

No rental charge shall be made for the use of the equipment on the project

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

OFFICIAL COPY
O. M. E.
RECEIVED
NOV 16 1970
INITIALS | CODE
120

NOV 13 1970

Mr. James L. Treece
United States Attorney
District of Colorado
323 U. S. Court House
Denver, Colorado 80201

Re: DMA-606 and DMEA-1870

Re: United States v. Carl H. Peterson
U.S.D.C., D. Colo., Civil No. 6167
D. J. No. 77-13-326 JWD:EEEllison:
RER:ejf

Attention: Mr. W. Allen Spurgeon
Assistant U. S. Attorney

Dear Mr. Treece:

This is in reply to your letter of September 9, 1970 requesting our advice as to whether a judgment in the subject case should be revived again as a lien.

We are informed by the Office of Minerals Exploration, U. S. Geological Survey, that its records show no payments have been received on the judgment which was originally entered on February 20, 1959 and revived by order of the court, dated Feburary 19, 1965. The judgment was in the amount of $8,010.29 plus court costs of $37.80 and interest from the date of entry of the judgment. We recommend that the judgment be revived.

Mr. Peterson is quite advanced in age (83 years) and apparently in poor health. Consequently, our recommendation that the judgment be revived is based upon the possibility that his estate may contain sufficient assets to pay the judgment, rather than upon any assumption that Mr. Peterson will do so in his lifetime.

Any future correspondence concerning this matter may be directed to Mr. Bruce Wright, Associate Solicitor, Mineral Resources and General Legal Services, Department of the Interior, Washington, D. C. 20240.

Sincerely yours,
Raymond C. Coulter

DRTindal:CLMartin:hm
cc: Secretary's Files
~~Solicitor's docket~~
MR&GLS- Rm. 6554

DEPUTY Solicitor

Copy to: J. William Hasler, Field Officer
OME Region III

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code

November 5, 1970

Memorandum

To: Associate Solicitor, Division of Mineral Resources and General Legal Services

From: Chief, Office of Minerals Exploration

Subject: United States v. Carl H. Peterson
U.S.D.C., D. Colo., Civil No. 6167
DMA-606, Contract Idm-E29
DMEA-1870, Contract Idm-E309
U. S. Metals Corporation

This is in reply to your memorandum of October 13, 1970, requesting information on the intention or ability of Mr. Carl H. Peterson to pay $8,010.29 plus court costs of $37.80 due in connection with the Government's civil action involving the subject contracts. We examined our records on this subject, and Mr. J. W. Hasler, Field Officer, OME Region III, Denver, Colorado, located Mr. Peterson and talked with him on the telephone.

Our records indicate that a payment of $20.00 was received October 12, 1965, from Mr. Walter A. Falk, co-officer with Mr. Peterson in the now defunct U. S. Metals Corporation. Mr. Falk was judgment debtor in a separate civil action involving the same property. The check was deposited to the Miscellaneous Receipt Account, Department of the Interior. Payments received prior to this check totalled $1,622.70; the last payment was received November 14, 1960.

Mr. Hasler in his memorandum dated October 30, 1970, to Chief, Office of Minerals Exploration, copy enclosed, reports the following information concerning Mr. Peterson:

1. He resides at 4307 Tejon Street, Denver, Colorado 80211, telephone 477-4791, the same address reported in April 15, 1965.

2. He is 83 years old and is recovering from two strokes and a heart attack suffered since November 1969.

3. He no longer owns the properties which were included in the subject contracts.

4. He owns two uranium claims east of Silverton, Colorado, but cannot develop them. This locale is not considered a favorable area for uranium deposits, and it is unlikely that any uranium production would result if the claims were developed.

In view of Mr. Peterson's physical condition and advanced age, Mr. Hasler did not inquire about his intention or ability to pay on this account. These factors appear to be of sufficient gravity to preclude any hope that Mr. Peterson could make any payments.

Harold Kirkemo (gla)

Harold Kirkemo

cc: Director's Reading File
Mineral Resources
DMA-606 Docket
DMEA-1870 "
OME Reading File
OME Region III
Mr. Kirkemo

HKirkemo/gla 11-5-70

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
FEDERAL CENTER, DENVER, COLORADO 80225

Office of Minerals Exploration
Building 53 Room 200

October 30, 1970

OFFICIAL COPY
O. M. E.
RECEIVED
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INITIALS	CODE
gla	120
	120
	220

Memorandum

To: Chief, Office of Minerals Exploration

From: Field Officer, Region III

Subject: United States vs. Carl H. Peterson
U. S. D. C., D. Colo., Civil No. 6167
DMEA Docket 606 (Lead-Zinc)
U. S. Metal Corporation (Henrietta Mine)
San Juan County, Colorado
Contract Idm E-29

and

DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation (Joe and John Mine)
San Juan County, Colorado
Contract Idm-E-309

This memorandum is written in reply to your telephone request of October 15, 1970 concerning Mr. Carl A. Peterson, referred to above, relating to his whereabouts and his ability to pay the judgement presently held against him.

I contacted a number of mining men Friday, October 16th, and again on October 19 and 20, in the Denver area who I thought should and or would know of Mr. Peterson's whereabouts. The men contacted had not known of Mr. Peterson's whereabouts for at least two years and indications were that Mr. Peterson had been very ill and may have even passed away. After continued efforts, I finally contacted him by telephone on October 22nd.

During my conversation with Mr. Peterson, he informed me that he is now 83 years of age, and that since November of 1969 he has suffered two strokes and one heart attack, and is just recovering from them. He also informed me that he no longer owns the Joe and John Mine or the Henrietta mine, and that the U. S. Metals Corporation has long

been defunct. He stated that he does own the Vertex and Slide Uranium claims that are located east of Silverton, Colorado, but is now unable to do anything with them. It is doubtful that judgement for $8,010.29 plus court costs of $38.70 is now a collectible item because of Mr. Peterson's declining health, and lack of ownership of the subject properties. Neither property yielded any production since the contracts were terminated.

Mr. Carl H. Peterson presently resides at the following address: 4307 Tejon Street, Denver, Colorado 80211, phone 477-4791.

Henrietta Mines, Inc., P. O. Box 547, Silverton, Colorado 81433, applied to the Office of Minerals Exploration during 1968 for financial assistance under OME Docket No. 6671 to explore for silver and copper. The application was denied, because the proposal lacked the necessary geologic evidence to support the applicant's view that the Henrietta vein is a favorable exploration target containing appreciable amounts of copper and silver ore.

Sincerely yours,

J. William Hasler

J. William Hasler,
Field Officer, Region III
Office of Minerals Exploration

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

OCT 13 1970

OFFICIAL COPY
O. M. E.
RECEIVED
16 1970

INITIALS	CODE
glw	130
	120

Memorandum

To: Chief, Office of Minerals Exploration

From: Associate Solicitor--Mineral Resources and General Legal Services

Subject: United States v. Carl H. Peterson
U.S.D.C., D. Colo., Civil No. 6167

Enclosed is a copy of a letter from the United States Attorney's Office in Denver, Colorado. The civil action involved, Civil No. 6167, relates to a default judgment obtained by the United States on February 20, 1959 against Carl H. Peterson for moneys due the Government in connection with DMEA dockets 609 and 1870 (Idm-E29 and Idm-E309), United States Metals Corporation. The judgment was for $8,010.29 plus court costs of $37.80. The Court's order of February 19, 1965 revived the judgment.

We are of the opinion that the judgment should be revived again as a lien. Please advise us in writing whether any payment of the amount due under the judgment has been made by Mr. Peterson to the Office of Minerals Exploration together with any other information you may have in connection with Mr. Peterson's intention or ability to pay. Upon receipt of this information we will advise the United States Attorney to take the necessary steps to have the lien revived again.

Bruce Wright
Associate Solicitor
Mineral Resources and
General Legal Services

Enclosure

United States Department of Justice

UNITED STATES ATTORNEY

DISTRICT OF COLORADO
323 U. S. COURT HOUSE
DENVER, COLORADO 80201

MAILING ADDRESS
P. O. BOX 1776
TELEPHONE 297-4184
(AREA CODE 303)

IN REPLY REFER TO
8488 - 6167

was/ef

September 9, 1970

INTERIOR DEPT.
SEP 11 1970
SOLICITOR

77-13-326
3179
36376

Office of the Solicitor
Department of Interior
Washington, D. C. 20240

Re: United States v. Carl H. Peterson,
U.S.D.C., D. Colo., Civil No. 6167,
DJ No. 77-13-326 JWD:EEEllison:RER:ejf

Gentlemen:

Our file in the above-named case, which has been closed in an uncollectible status, reflects that the judgment, which was revived as a lien on February 19, 1965, will expire on February 19, 1971.

Please advise us forthwith if you suggest that we again revive this judgment as a lien and, if so, please send us the proper figures for revival.

Very truly yours,

JAMES L. TREECE
United States Attorney

W. Allen Spurgeon

By: W. ALLEN SPURGEON
Assistant U. S. Attorney

IN REPLY REFER TO:

77-13-326

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

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August 9, 1968

Memorandum

To: Chief, Office of Minerals Exploration

From: Assistant Solicitor, Oil and Gas and Minerals Exploration

Subject: United States v. Walter A. Falk, Civil No. 65-461-PH

Enclosed for your information is a copy of a self-explanatory letter to the United States Attorney, Los Angeles, California, from the Assistant Attorney General, Civil Division, Department of Justice, regarding the above subject.

Robert W. Long
Robert W. Long
Assistant Solicitor
Oil and Gas and Minerals Exploration

Enclosure

77-13-326(31-)

INTERIOR DEPT.
AUG 7 - 1968
SOLICITOR

Mr. Wm. M. Byrne, Jr.
United States Attorney
Los Angeles, California 90012

August 5, 1968

ELW,Jr:OCollins:dgb
77-13-326

Edwin L. Weisl, Jr., Assistant
Attorney General, Civil Division
By: Enoch E. Ellison, Chief
Judgment & Collection Unit

United States v. Walter A. Falk
Civil No. 65-461-PH

Attention: Mrs. Dorothy W. Westover
Assistant U.S. Attorney

This is in response to your memorandum dated July 2, 1968, in which you advised that judgment debtor Walter A. Falk died on February 25, 1968, and left no estate, and for that reason you request permission to close your file as permanently uncollectible. You are authorized to take said action.

cc: Department of Interior
Office of Solicitor
Washington, D. C. 20240
UREF: DMA:E29 & IDM-E309
606 + 1870

U.S. Milale Corp. DMEA 309 - 1870

AIR MAIL 77-13-326

INTERIOR DEPT.
MAR 25 1966
SOLICITOR

MAR 24 1966

Mr. Manuel L. Real 20530
United States Attorney
Los Angeles, California 90012

JWD:OCollins:mm
77-13-326

John W. Douglas
Assistant Attorney General, Civil Division
By: Russell Chapin, Chief, General Claims Section

OFFICIAL COPY

United States v. Walter A. Falk
USDC SD Calif. Civil Action No.
65-461-PH.

3

KJ 110
120 TM

Attention: Mrs. Dorothy W. Westover
Assistant U.S. Attorney

This acknowledges the receipt of your letter dated February 25, 1966, in which you enclosed copies of FBI report dated July 23, 1965, and BJ-35 form executed by the above debtor. The information contained therein, together with information in the file concerning debtor's financial circumstances, indicates that the indebtedness is uncollectible at this time.

Accordingly, you are authorized to transfer the judgment to your inactive or suspense docket pursuant to United States Attorneys' Manual, Title 3, page 24.10, paragraph 3A. We are closing our file, subject to reopening if future circumstances appear to warrant such action.

cc: Department of the Interior
Washington, D. C. 20240
w/c letter from U.S.Atty. dated
2/25/66.

Attention: Solicitor

Claims & Judgments Section
DWW:mn

John W. Douglas, Assistant
Attorney General, Civil Division
Attn: Russell Chapin
Chief, General Claims Section

Feb. 25, 1966

Manuel L. Real, United States Attorney
Southern District of California
Dorothy W. Westover, AUSA (Civil)

United States v. Walter A. Falk
Civil No. 65-461-PH
UREF: JWD:Reed:rer 77-13-326

In response to your memorandum dated January 17, 1966, please be advised that this office has perfected its judgment as a lien by proper recordation on October 7, 1965. We made written demand on the debtor on October 7, 1965 and on October 12, 1965 he forwarded to us the Department of Justice Form 35, two copies of which we enclose herein.

By report dated July 23, 1965, the Federal Bureau of Investigation verified the income and assets of the debtor as set forth by the debtor on said form. We are enclosing two xerox copies of said report.

Since the debtor's only assets consists of old age Social Security benefits and an Army pension totaling $313.00 a month, it would appear that this judgment is virtually uncollectible. Since the debtor is approximately seventy-two years of age and all of his income is exempt from attachment, we request permission to place our file in a suspense status.

It is noted the debtor states he has $1020.00 in cash and $3760.00 in U. S. Savings Bonds, therefore at his death, the government may be in a position to partially satisfy its judgment from his estate.

MANUEL L. REAL
United States Attorney

Encl.

IN REPLY REFER TO:

77-13-326

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

D MEA 606
#1870

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~~170~~
225

November 2, 1965

Memorandum

To: Chief, Office of Minerals Exploration

From: Assistant Solicitor, Oil and Gas and Minerals Exploration

Subject: United States v. Walter A. Falk, No. 65-461-PH Civil

For your information, there is enclosed a copy of a self-explanatory letter dated October 27, 1965, to Mr. John W. Douglas, Assistant Attorney General, Civil Division, Department of Justice, from Mr. Lawrence M. Henry, United States Attorney, Denver, Colorado.

Robert W. Long
Robert W. Long
Assistant Solicitor
Oil and Gas and Minerals Exploration

Enclosure

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

77-13-326

November 2, 1965

Memorandum

To: Chief, Office of Minerals Exploration

From: Assistant Solicitor, Oil and Gas and Minerals Exploration

Subject: United States v. Walter A. Falk, No. 65-461-PH Civil

For your information, there is enclosed a copy of a self-explanatory letter dated October 27, 1965, to Mr. John W. Douglas, Assistant Attorney General, Civil Division, Department of Justice, from Mr. Lawrence M. Henry, United States Attorney, Denver, Colorado.

ROBERT W. LONG

Robert W. Long
Assistant Solicitor
Oil and Gas and Minerals Exploration

Enclosure

8488/6167
dec/mag

INTERIOR DEPT. 77-13-326
OCT 29 1965
SOLICITOR

October 27, 1965

Mr. John W. Douglas
Asst. Attorney General
Civil Division
Department of Justice
Washington, D. C., 20530

Attention: Mr. Walter F. Banse
General Claims Section

Re: United States v. Walter A. Falk,
No. 65-461-PE Civil
DJ No. 77-13-326 JWD:WFBanse:as

Dear Mr. Douglas:

We wish to inform you that a judgment was entered on October 5, 1965, against Walter A. Falk in the amount of $10,935.43 plus costs of $38.72, in the U. S. District Court for the Southern District of California.

If you desire any further information regarding this matter, please contact the United States Attorney in Los Angeles.

Very truly yours,

LAWRENCE M. HENRY
United States Attorney

By: DONALD E. CORDOVA
Asst. United States Attorney

cc: Office of the Solicitor
Department of Interior
Washington, 25, D. C.
Ref: DMA-E29 & IDM-E309

FBI

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
10/21	Johnson	110
	Selfridge	~~120~~
		220

OCT 22 1965

Memorandum

To: Administrative Officer - Economic Geology

From: Chief, Office of Minerals Exploration

Subject: Check for deposit - DMA-606, Contract Idm-E29, and DMEA-1870, Contract Idm-E309

Enclosed for deposit to the Miscellaneous Receipt Account, Department of the Interior, is check No. 219, dated October 14, 1965, in the amount of $20.00, payable to the United States Attorney, drawn on the Century Bank of Los Angeles, California, and signed by Walter A. Falk. The check bears the endorsement of Manuel L. Real, United States Attorney, payable to the order of the Treasurer of the United States.

(signed) FRANK E. JOHNSON (gla)

Frank E. Johnson

Enclosures

FEJohnson/gla (10/21/65)
cc to: Director's Reading File
Division File
Economic Geology File
OME File DMA-606
OME File DMEA-1870
OME Reading File
OME Region III

23263

Form No. USA-208
(Rev. 3-3-58)
Form approved by
Comp. Gen., U. S.

Receipt NO. [illegible]

DEPARTMENT OF JUSTICE

Office of United States Attorney
Southern District of California

(CHECKS ACCEPTED SUBJECT TO COLLECTION)

Claim Against: Walter A. Falk
2505 W. 6th Street
Los Angeles, California 90057

U. S. Attorney's No. 65-217
65-461-PM

Amount Received: Twenty Dollars ($ 20.00)

From

Agency & File No.: Dept. of Interior
Dock. #DSCA 601 & #DSCA 1870
Contr. #Idm-E29 & #Idm-E309

Judgment-10-5-65 -Principal $7,367.41; Costs $38.72; Int. to 10-4-65 $3,568.02 - Deposit $20 (Costs) to Misc. Receipt Acct. Dept. Inter.-3099

Type Claim	Amt. of Claim	DJ File No.		
Breach of Contract	$10,974.15	77-13-326 Gen.Cl.Sec.	( ) Prejudgment (X) Judgment ( ) Compromise	( ) Paid in full (X) Partial Pay No. 1

Date Payment Received: October 12, 1965

By: [illegible]

for UNITED STATES ATTORNEY

Duplicate—With Remittance

OFFICIAL FILE COPY

Date	Surname	Code
8/17		110
		120
		220

AUG 17 1965

Mr. Robert P. Davison
Holland & Hart
Attorneys at Law
500 Equitable Building
Denver, Colorado 80202

Dear Mr. Davison:

This will respond to your letter of July 31, 1965, regarding your client's (Northwood, Inc.) rights to possession of the Henrietta Mine under a Lease and Option executed by Naomi E. Jones, et al., as Trustees in Liquidation for the Blue Bird Mining and Milling Company.

According to letters in our files from the United States Department of Justice, Blue Bird Mining and Milling Company was incorporated August 4, 1932, for a twenty-year term of existence which was not extended, further that the corporation was declared defunct and inoperative by the Colorado Secretary of State during 1938 for failure to file annual reports.

In addition, in August 1961, the Treasurer of San Juan County, Colorado, advised the Acting Field Officer, OME Region III, that the nine patented claims had been sold for taxes. We do not know who purchased the claims at the tax sale. Accordingly, in light of the history as we know it as of this date, we have no evidence which indicates that Blue Bird has good title to the property.

Further, our letter of May 25, 1965, stated that we consider the proposed project a base-metal one and, therefore, not eligible for exploration assistance as copper, lead, and zinc were removed from the list of eligible commodities on July 1, 1962.

Sincerely yours,

(signed) FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

RWLong/FEJohnson/jfg/gla (8-17-65)
cc to: Director's Reading File
Division File
Economic Geology File
RWLong, Rm. 6554
OME-6448
DMA-606
OME Reading File
OME Region III w/cy incoming letr.

23263

$20.00
Check
from
Mr. Falk
Oct. 14,
1965

JOSIAH G. HOLLAND
STEPHEN H. HART
JOHN L. J. HART
WILLIAM G. SIMRICE, JR.
JAMES L. WHITE
PATRICK M. WESTFELDT
CLAUDE M. MAGR, JR.
ROBERT P. DAVIDSON
JOHN FLEMING KELLY
FRANK H. MORRISON
JAY W. TRACEY, JR.
KENNETH B. HUSBARD
ROBERT L. VER SCHURE
GORDON G. GREINER
DWIGHT E. SHELLMAN, JR.
ROBERT H. DURHAM, JR.
WILLIAM E. MURRAY
FREDERICK G. HEATH, III
H. GREGORY AUSTIN
WILLIAM C. McCLEARN
JOHN ALLEN MOORE
PHILIP A. DANIELSON
DON E. CHISLAW
JAMES E. HEGARTY
FIELD C. BENTON
DAVID BUTLER
J. MICHAEL FARLEY
WARREN L. TOMLINSON
BRUCE T. BUELL
BOB B. ETTER
WILLIAM J. CARNEY, JR.
J. THOMAS PHOENIX, JR.
L. WILLIAM SCHMIDT, JR.
LAWRENCE R. RENO
JAMES P. LINDSAY
ROBERT L. MORRIS
JOHN S. CASTELLANO
GEORGE D. DIREDU

HOLLAND & HART

ATTORNEYS AT LAW

500 EQUITABLE BUILDING
DENVER, COLORADO 80202

TELEPHONE
266-1461
AREA CODE 303

CABLE ADDRESS
HOLHART, DENVER

July 31 1965

Director
Office of Mineral Exploration
United States Department of the Interior
Washington 25 D

OWE-0446 (Silver)
Northwest Inc
Henrietta Mine
San Juan County Colorado

Dear Sir

Our client Northwest Inc has referred to us your letter to it of May 25 1965 the first paragraph of which reads as follows:

> "We [illegible] regret to inform you that the Government [illegible] participate in the exploration project [illegible] the Henrietta mine because in part [illegible] nature of the lease and Option Agreement signed by [illegible] Jones as Trustee in liquidation for the Blue Bird Mining & Milling [illegible] upon information developed under [illegible] tract

We are at a loss to know what [illegible] the lease nature of the Lease and Option [illegible] title information we have developed [illegible] as lessee of the Henrietta mine was in possession [illegible] clear title. All previous leases have terminated [illegible] aware [illegible] any [illegible] leases.

We would be happy to discuss this with the Denver office if it has the information you refer to. Perhaps this difficulty can be resolved.

Please advise us what action is required to clear up this matter.

Very truly yours

HOLLAND & HART

By

Robert P. Davidson

RPD·im
cc. J. E. [illegible] Wood
R. J. [illegible]

DRAFT
RWLong/jfg:8/13/65

File

Mr. Robert P. Davison
Holland & Hart
Attorneys at Law
500 Equitable Building
Denver, Colorado 80202

Dear Mr. Davison:

This will respond to your letter of July 31, 1965 regarding your client's (Northwood, Inc.) rights to possession of the Henrietta Mine under a Lease and Option executed by Naomi H. Jones, et al., as Trustees in Liquidation for the Blue Bird Mining and Milling Company.

According to letters in our files from the United States Department of Justice, Blue Bird Mining and Milling Company was incorporated August 4, 1932, for a twenty-year term of existence which was not extended, further that the corporation was declared defunct and inoperative by the Colorado Secretary of State during 1938 for failure to file annual reports.

In addition, in August 1961, the Treasurer of San Juan County, Colorado, advised the Acting Field Officer, OME Region III, that the nine patented claims had been sold for taxes. We do not know who purchased the claims at the tax sale. Accordingly, in light of the history as we know it as of this date, we have no evidence which indicates that Blue Bird has good title to the property. ~~and we are unwilling to award a contract on this property.~~

Further, our letter of May 25, 1965, stated that we consider the proposed project a base-metal one, and, therefore, not eligible for exploration assistance as copper, lead, and zinc were removed from the list of eligible commodities on July 1, 1962.

Sincerely yours,

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

E-65-2094.11

May 20, 1965

Memorandum

To: Acting Director
Office of Minerals Exploration

From: Assistant Solicitor
Oil and Gas and Minerals Exploration

Subject: OME-6448 (Silver)
Northwood Inc.
Henrietta Mine
San Juan County, Colorado

Pursuant to your request of May 17, 1965 we have reviewed the Lease and Option executed by Naomi H. Jones, as Trustee in Liquidation for the Bluebird Mining and Milling Company in light of correspondence under DMA-606.

As you are well aware the history of this property, the Blue Bird Mining and Milling Company, and the chronology of the administration of DMA-606, are set forth in numerous letters and memorandums in DMA Docket 606. In this connection see: Letter dated February 17, 1960 from Donald G. Bratzman, United States Attorney to George F. Foley, Chief, Government Claims Section; Letter dated May 13, 1960 from George W. Abbott, Solicitor to Mr. George Cochran Doub, Assistant Attorney General; Memorandum dated January 6, 1961 from Associate Solicitor R. H. McPhillamey to Acting Director, OME and letter dated April 15, 1965 from Acting Director, OME to Mr. Richard J. Fiorini.

A stated in these documents the Government accepted a $100.00 certified personal check from M. Rex Jones, President of Blue Bird, in compromise settlement of Blue Bird's liability for royalty on past production under the September 21, 1954 Owner's Consent to Lien. The docket indicates Blue Bird was incorporated August 4, 1932 for a twenty year term of existence, which had not been extended, and further that the corporation was declared defunct and inoperative by the Colorado Secretary of State during 1938.

In addition, in August 1961, the Treasurer of San Juan County Colorado, advised the Acting Field Officer, OME Region III, that the nine patented claims had been sold for taxes.

We do not know who purchased the claims at the tax sale, It is possible for Blue Bird to have reacquired the same.

We have no evidence which indicates that Blue Bird has good title to the property, on the contrary we have every reason to suspect that they do not. Accordingly, in light of the history as we know it as of this date, we believe OME would be ill-advised to award a contract to Northwood Inc. on this property on the strength of the Lease and Option executed January 22, 1965 by Naomi H. Jones, Robert R. Moodie, Anna F. Moodie and Miriam M. Frederick as Trustees in Liquidation of Blue Bird Mining and Milling Company.

ROBERT W. LONG

Robert W. Long
Assistant Solicitor
Oil and Gas and Minerals Exploration

Enclosures

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	Selfridge	120
45	Murphy	120
4/5	Johnson	110
4	[illegible]	100
		~~100~~
		220

77-1332

Mr. Richard J. Fiorini
Geologist
615 Sunnyside Drive
Durango, Colorado

INTERIOR DEPT.
APR 6 - 1965
SOLICITOR

Re: DMA-696 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm-829

Dear Mr. Fiorini:

In further reference to our letter of February 3, 1965, to you and your reply of March 29 with enclosure, we have learned and verified that Mr. Carl H. Peterson, a former officer of U. S. Metals Corporation, is still listed at 4307 Tejon Street, Denver 11, Colorado, and has been seen in Denver. Therefore, will you please secure the necessary clearance from him to release information submitted by the Corporation. Are you interested in both the Henrietta mine (DMA-696) and the Joe and John mine (DMMA-1870)?

Incidentally, our records show that the Blue Bird Mining & Milling Company was declared defunct and inoperative in 1938 by the Colorado Secretary of State and was so at the time the subject contract was in force.

Sincerely yours,

Acting Director

GCSelfridge/mm
8/5/65
cc: Director's Reading File
Region III w/cy of incoming letter and attachment and ltr from Asst. Attny General, Civil Div.
Docket
Mr. Selfridge

RECEIVED
APR 6 1965
Division of Mineral Resources
Office of General Legal Services

23263

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	77-13-326	
	Long	
	App'S. Sol. Off.	
	Lefebvre	120
		120
	Johnson	110
		100
		220

APR 15 1965

Mr. Richard J. Fiorini
Geologist
615 Sunnyside Drive
Durango, Colorado 81301

INTERIOR DEPT.
APR 14 1965
SOLICITOR

Re: DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm-E29

Dear Mr. Fiorini:

FROM SOLICITOR
APR 1965

In further reference to our letter of February 5, 1965, to you and your reply of March 29 with enclosure, we have re-examined our records on the above-identified subject.

Our docket shows that after unsuccessful attempts to collect delinquent royalties the matter was referred on April 2, 1956 to the Attorney General of the United States. On January 3, 1957, the United States Attorney in Denver accepted an offer by Carl F. Peterson and Walter Falk, officers of the U. S. Metals Corporation, for settlement of the indebtedness by periodical payments. As the result of default under this agreement a complaint was filed against Peterson and Falk during August 1958. During the following month the Corporation was declared defunct by the Colorado Secretary of State.

Default judgment was entered on February 20, 1959, against Peterson for $8,010.29, plus costs of $37.80, applicable to this and another contract.

As judgment was not enforceable because of Peterson's lack of property at that time, a transcript was filed with the County Clerk and Recorder in Denver. Complaint against Falk was dismissed on June 19, 1959, because of inability to locate and serve him.

43683

Subsequently, collection action for the $2,055.67 past due royalty was taken against Blue Bird Mining and Milling Company under the September 21, 1954 Owner's Consent to Lien on the nine patented and five unpatented claims under the contract. Blue Bird's liability for royalty on past production was settled in full by the compromise acceptance of a $100.00 certified personal check dated November 10, 1960, from M. Rex Jones, the Company's president. The compromise settlement was made because of the probable lack of an enforceable claim against the Blue Bird Mining and Milling Company. The Company had been incorporated on August 4, 1932, for a twenty-year term of existence, which had not been extended. Furthermore, it was declared defunct and inoperative by the Colorado Secretary of State during 1938.

During August 1961, the Treasurer of San Juan County, Colorado, advised the Acting Field Officer, OME Region III, that the nine patented claims under the exploration project contract had been sold for taxes but no mining operations were in process.

Accordingly, in our opinion, the present ownership of the property is somewhat clouded and in view of this situation we prefer at present not to release any geologic information regarding this mine.

Incidentally, we have learned and verified that Mr. Carl H. Peterson, a former officerof U. S. Metals Corporation, is still listed at 4307 Tejon Street, Denver, Colorado 80211.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

GCSelfridge/mm-4/5/65
Rewritten: RWLong/jfg:4/12/65

CC: Director's Reading File
Region III w/cy of incoming letter and attachment and ltr from Asst. Attny General, Civil Div.
Docket
Robert W. Long, Rm. 6554 (Off. of Sol)
Mr. Selfridge

Form A. O. 133 (1-63)

INTERIOR DEPT.
APR 5 - 1965
SOLICITOR

United States District Court
for the
DISTRICT OF COLORADO

BILL OF COSTS

FILED
United States District Court
Denver, Colorado
APR 2 - 1965
G. WALTER BOWMAN
CLERK
BY _____ DEP. CLERK

UNITED STATES OF AMERICA, Plaintiff,

vs.

CARL B. [illegible], Defendant.

CIVIL ACTION FILE No. [illegible]

Judgment having been entered in the above entitled action on the [illegible] day of [illegible], 19[illegible], against CARL B. [illegible], Defendant, the clerk is requested to tax the following as costs:

BILL OF COSTS

Fees of the clerk	$ 15.00
Fees of the marshal	6.75
Fees of the court reporter for all or any part of the transcript necessarily obtained for use in the case	
Fees and disbursements for printing	
Fees for witnesses (itemized on reverse side)	
Fees for exemplification and copies of papers necessarily obtained for use in case	
Docket fees under 28 U. S. C. 1923 [illegible]	20.00
Costs incident to taking of depositions	
Cost as shown on Mandate of Court of Appeals	
Other Costs (Please itemize)	
DMEA -DMA-606	
Contract No. Idm-E29 & IDM-E309	
Total	$ 41.75

State of COLORADO
County of DENVER } ss:

I, DONALD E. [illegible], [illegible] UNITED STATES ATTY. DIST. OF COLO., do hereby swear that the foregoing costs are correct and were necessarily incurred in this action and that the services for which fees have been charged were actually and necassarily performed. A copy hereof was this day mailed to CARL B. [illegible], 1507 [illegible] ST., DENVER, COLORADO. with postage fully prepaid thereon.

Please take notice that I will appear before the Clerk who will tax said costs on [illegible], 19 at .

[illegible]
Attorney for [illegible]

Subscribed and sworn to before me this [illegible] day of [illegible] A. D. 19[illegible] at DENVER, COLORADO.

[illegible]
Notary Public.

Costs are hereby taxed in the amount of $ 41.75 this [illegible] day of [illegible], 19[illegible], and that amount included in the judgment.

_____
Clerk.

By _____
Deputy Clerk.

NOTE: SEE REVERSE SIDE FOR AUTHORITIES ON TAXING COSTS.

Witness Fees (computation, cf. 28 U. S. C. 1821 for statutory fees)

Name and Residence	Attendance		Subsistence		Mileage		Total Cost Each Witness
	Days	Total Cost	Days	Total Cost	Miles	Total Cost	
					TOTAL		

NOTICE

Section 1924, Title 28, U. S. Code (effective September 1, 1948) provides:

"Sec. 1924. Verification of bill of costs."

"Before any bill of costs is taxed, the party claiming any item of cost or disbursement shall attach thereto an affidavit, made by himself or by his duly authorized attorney or agent having knowledge of the facts, that such item is correct and has been necessarily incurred in the case and that the services for which fees have been charged were actually and necessarily performed."

See also Section 1920 of Title 28 which reads in part as follows:

"A bill of costs shall be filed in the case and, upon allowance, included in the judgment or decree."

The Federal Rules of Civil Procedure contain the following provisions:

Rule 54 (d)

"Except when express provision therefor is made either in a statute of the United States or in these rules, costs shall be allowed as of course to the prevailing party unless the court otherwise directs; but cost against the United States, its officers, and agencies shall be imposed only to the extent permitted by law. Costs may be taxed by the clerk on one day's notice. On motion served within 5 days thereafter, the action of the clerk may be reviewed by the court."

Rule 6 (e)

"Whenever a party has the right or is required to do some act or take some proceedings within a prescribed period after the service of a notice or other paper upon him and the notice or paper is served upon him by mail, 3 days shall be added to the prescribed period."

Rule 58 (In Part)

"The entry of the judgment shall not be delayed for the taxing of costs."

Form A. O. 133 (1-63)

BILL OF COSTS

United States District Court
for the

FILED
United States District Court
Denver, Colorado

APR 2 - 1965

G. WALTER BOWMAN
CLERK

BY ..... DEPUTY CLERK

..... DISTRICT OF .....

..... Plaintiff

vs.

..... Defendant

CIVIL ACTION FILE NO. .....

Judgment having been entered in the above entitled action on the ..... day of ....., 19..., against ..... the clerk is requested to tax the following as costs:

BILL OF COSTS

Fees of the clerk	$.....
Fees of the marshal	.....
Fees of the court reporter for all or any part of the transcript necessarily obtained for use in the case	.....
Fees and disbursements for printing	.....
Fees for witnesses (itemized on reverse side)	.....
Fees for exemplification and copies of papers necessarily obtained for use in case	.....
Docket fees under 28 U. S. C. 1923	.....
Costs incident to taking of depositions	.....
Cost as shown on Mandate of Court of Appeals	.....
Other Costs (Please itemize)	
	.....
	.....
	.....
	.....
	.....
Total	$.....

State of .....
County of ..... } ss:

I, ... do hereby swear that the foregoing costs are correct and were necessarily incurred in this action and that the services for which fees have been charged were actually and necassarily performed. A copy hereof was this day mailed to ..... with postage fully prepaid thereon.

Please take notice that I will appear before the Clerk who will tax said costs on ....., 19... at .....

Attorney for .....

Subscribed and sworn to before me this ..... day of ..... A. D. 19... at .....

.....
Notary Public.

Costs are hereby taxed in the amount of $..... this ..... day of ....., 19..., and that amount included in the judgment.

.....
Clerk.

By .....
Deputy Clerk.

NOTE: SEE REVERSE SIDE FOR AUTHORITIES ON TAXING COSTS.

Witness Fees (computation, cf. 28 U. S. C. 1821 for statutory fees)

Name and Residence	Attendance		Subsistence		Mileage		Total Cost Each Witness
	Days	Total Cost	Days	Total Cost	Miles	Total Cost	
					TOTAL		

NOTICE

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"Sec. 1924. Verification of bill of costs."

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See also Section 1920 of Title 28 which reads in part as follows:

"A bill of costs shall be filed in the case and, upon allowance, included in the judgment or decree."

The Federal Rules of Civil Procedure contain the following provisions:

Rule 54 (d)

"Except when express provision therefor is made either in a statute of the United States or in these rules, costs shall be allowed as of course to the prevailing party unless the court otherwise directs; but cost against the United States, its officers, and agencies shall be imposed only to the extent permitted by law. Costs may be taxed by the clerk on one day's notice. On motion served within 5 days thereafter, the action of the clerk may be reviewed by the court."

Rule 6 (e)

"Whenever a party has the right or is required to do some act or take some proceedings within a prescribed period after the service of a notice or other paper upon him and the notice or paper is served upon him by mail, 3 days shall be added to the prescribed period."

Rule 58 (In Part)

"The entry of the judgment shall not be delayed for the taxing of costs."

OFFICIAL
COPY
O. M. E.
RECEIVED
APR 1 1965
INITIALS | CODE
~~120~~ 111
~~120~~
220

615 Sunnyside Drive
Durango, Colorado
March 29, 1965

Mr. George Fumick
Acting Director OME
Washington 25, D.C.

Re: DMA-606 (Lead-Zinc)
U.S. Metals Corporation
Henrietta & Joe and John mines
San Juan County, Colorado
Contracts- DMA 606 DMEA-1870

Dear Mr. Fumick:

Replying to your letter of February 5th, 1965 concerning the release of docket information on DMEA-OME loans I have obtained writen permission of the owner of the property who owned the property during the time it was being operated under said contracts and who also currently owns the property.

The U.S. Metals Corporation, upon checking with the State Sec., is an expired corporation no longer in effect. Under terms of their lease with Blue Bird Mining & Milling Co. all docket information was supposed to be made availible to them. However much of the information they never recieved.

I would appreciate recieving a copy of all the following information furnished by the operator if possible.

1. Any maps or sample data they may have used to optain the loan.
2. Any reports on the property indicating anything of the supposed ore body or relative geology.
3. The amount of work completed and the unit cost of such work.
4. Final reports and maps furnished by the operator.

We will gladly pay for any expense involved in finding this for us and having it reproduced. Let me know how much it will cost and I will mail a cashier's check to you.

Thank you very much for your fine help and consideration.

Respectfully,

Richard J. Fiorini

Richard J. Fiorini
Geologist
Northwood Inc.

Blue Bird Mining & Milling Company

MAIN OFFICE

[redacted]

Denver, Colorado

c/o Naomi H. Jones
126 So. Clarkson St.
Denver, Colo. 80209

TO WHOM IT MAY CONCERN:

Our full authorization is hereby granted to the U. S. Bureau of Mines and the Office of Minerals Exploration, Department of Interior, to furnish to NORTHWOOD, INC., through Robert R. Ward and Richard J. Fiorini, any and all information it may have available regarding our Henrietta and Joe & John group of mining properties, located in Prospect Basin, off Cement Creek, in Red Mountain Mining District, San Juan County, Colorado.

BLUE BIRD MINING & MILLING COMPANY

By Naomi H. Jones
Secy-Treas.

IN REPLY REFER TO:
77-13-326

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

OFFICIAL COPY
O. M. E.
RECEIVED
MAR 23 1965

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Jayn	202
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DMEA Geo

March 22, 1965

Memorandum

To: Acting Director
Office of Minerals Exploration

From: Assistant Solicitor
Oil and Gas and Minerals Exploration

Subject: United States v. Carl H. Peterson, U.S.D.C., D. Colo., Civil No. 6167

Enclosed is a copy of a self-explanatory letter from the Assistant Attorney General, Civil Division, regarding the Government's claim in the subject litigation.

Robert W. Long
Robert W. Long
Assistant Solicitor
Oil and Gas and Minerals
Exploration

Enclosure

77-13-326

INTERIOR DEPT.
MAR 18 1965
SOLICITOR

AIR MAIL

Mr. Lawrence M. Henry
United States Attorney
Denver, Colorado 80201

MAR 17 1965

JWD:WFBanse:ss
77-13-326

John W. Douglas
Assistant Attorney General, Civil Division
By: Russell Chapin, Chief, General Claims Section

United States v. Carl H. Peterson
U.S.D.C., D. Colo., Civil No. 6167
Department of Interior Claim

Attention: Mr. Donald E. Cordova
Assistant U. S. Attorney

Thank you for the copies of order entered February 19, 1965, in the captioned action reviving the judgment entered February 20, 1959, in favor of the United States for $8,010.29, plus interest and costs. Assistant United States Attorney Donald E. Cordova advised Mr. Walter F. Banse of this office by telephone that the revival of this judgment was basically a protective measure due to the possibility that the judgment debtor will acquire some real property upon the death of his wife.

Accordingly, we are closing our file in this case because of present uncollectibility.

Kindly report this case in suspense under Title 3, page 24.10, paragraph 8, United States Attorneys' Manual.

cc: Department of Interior
Washington, D. C. 20240
Attention: Solicitor

Order [illegible]
[illegible] 19 Feb. 1903

OFFICIAL
COPY
O. M. E.
RECEIVED
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606

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

THE UNITED STATES OF AMERICA, Plaintiff, vs. CARL H. PETERSON, Defendant.	CIVIL NO. 6167 ORDER REVIVING JUDGMENT

THIS MATTER coming on to be heard on Motion to Revive Judgment filed herein by the plaintiff, the plaintiff appearing by Donald E. Cordova, Assistant United States Attorney for the District of Colorado, and the defendant not appearing in person or by counsel;

And the Court having examined the file herein, doth find that notice of said motion, with a copy of said motion attached, was duly served on said defendant, and that time for answer has expired;

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED that the judgment of the plaintiff against the defendant heretofore entered on February 20, 1959, in the sum of $8,010.29, together with costs in the sum of $37.80, together with interest as provided by law from the date of entry of judgment, is hereby revived against the said defendant, CARL H. PETERSON, and that the plaintiff, United States of America, recover from said defendant herein the costs of this action.

DONE by the Court, on this 19th day of February, 1965.

Alfred A. Arraj
JUDGE

Interior

E 29
E 309

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

THE UNITED STATES OF AMERICA, Plaintiff, vs. CARL H. PETERSON, Defendant.	CIVIL NO. 6167 Filed 2/9/65 MOTION TO REVIVE JUDGMENT

COMES NOW the plaintiff, by its attorneys, LAWRENCE M. HENRY, United States Attorney for the District of Colorado, and DONALD E. CORDOVA, Assistant United States Attorney for the District of Colorado, and moves the Court, under the provisions of Rule 54, Colorado Rules of Civil Procedure, to revive a judgment heretofore entered on February 20, 1959, in the United States District Court for the District of Colorado in favor of the Plaintiff and against the Defendant, Carl H. Peterson, in the sum of $8,010.29, together with costs in the sum of $37.80 for a total judgment and costs of $8,048.09.

That there remains unpaid on said judgment the principal sum of $8,010.29, together with interest as provided by law from date of entry of judgment and court costs in the amount of $37.80.

The Plaintiff therefore moves the Court that the Clerk of this Court be directed to issue notice requiring the judgment debtor to show cause within ten (10) days after service why the judgment should not be revived and that thereafter an order be entered reviving said judgment.

LAWRENCE M. HENRY
United States Attorney
for the Dist. of Colorado

DONALD E. CORDOVA
Asst. United States Attorney
for the District of Colorado

Attorneys for Plaintiff
348 Post Office Building
Denver, Colorado, 80201

E 28
E 304

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

THE UNITED STATES OF AMERICA, Plaintiff, vs. CARL H. PETERSON, Defendant.	CIVIL NO. 6167 NOTICE TO SHOW CAUSE

Filed 2/9/65

To: Mr. Carl H. Peterson
4307 Tejon Street
Denver, Colorado

NOTICE is hereby given to you that a motion has been filed in the above matter by the plaintiff to revive a judgment entered against you in the United States District Court for the District of Colorado ~~on~~ February 20, 1959, in favor of the Plaintiff, in which the sum of $8,010.29 principal remains unpaid, together with court costs and interest.

If you do not answer, or otherwise plead, within ten (10) days after service is made upon you, an order will be entered reviving said judgment.

Dated this 9th day of February, 1965.

G. WALTER BOWMAN,
Clerk of the United States District Court

By: H. Barbara Werner
Deputy Clerk

AE Form 7
2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	Selfridge	120
		120m
2/5	Johnson	110
		100
		220

FEB 5 1965

Mr. Richard J. Fiorini
615 Sunnyside Drive
Durango, Colorado

Re: DMA-606 (Lead-Zinc)
W. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm-K29

Dear Mr. Fiorini:

Replying to your letter of February 2, 1965, I regret to inform you that all DMEA-OME docket information is considered confidential and for Government use only. Reports by Government engineers or geologists concerning projects or the assessment thereof are never released. However, we do release any docket information which has been furnished by an operator under an exploration contract if authorized in writing to do so. There is a charge for this service, the total depending upon how much of the material has to be duplicated and the time spent in its selection.

The last time that we had any correspondence with anyone connected with W. S. Metals Corporation was December 5, 1961. At that time we received an inquiry from a Mr. Carl H. Peterson, 4307 Tejon Street, Denver 11, Colorado, a former officer of the corporation.

For your information, there remains a royalty obligation to the Government on any production from the Henrietta mine in the amount of $39,417.61, which runs until June 27, 1965.

Sincerely yours,

George Fumich, Jr.

Acting Director

GCSelfridge/mm (2/4/65)
cc: Director's Reading File
Region III w/cy of incoming letter
Docket
Mr. Selfridge

23263

615 Sunnyside Drive
Durango, Colorado
February 2, 1965

OFFICIAL COPY
O. M. E.
RECEIVED
FEB 4 1965

INITIALS	CODE
	120
	120

606

Mr. George Fumick
Acting Director O.M.E.
Dept. of the Interior
Washington, D.C.

Dear Sir:

We recently have taken a lease with an option to buy the Henrietta mine in San Juan County, Colorado. The mine is located in Prospect Basin 6 miles Northwest of Silverton, Colorado on the south flank of Red Mountain #3.

Previous leasors of the mine obtained a government loan on the property in about 1950 or 51. The name of the company who obtained the loan was the U.S. Metals Corporation of Denver. The people who own the property are the Blue Bird Mining & Milling Co. We were wondering if it would be possible to obtain any geologic information on the mine from your office. As of yet it has been impossible to locate any maps or information of any kind on the mine. Of course I realize that loan information is confidential however the only thing we are interested in would be anything of geologic value.

see F.T. file of 9/18/61

If you can help us at all in this matter we certainly would appreciate it. Any expenses involved we would happily pay for. Thanking you for your help and cooperation I remain,

Respectfully,

R. J. Fiorini

Richard J. Fiorini
Geologist

OFFICIAL FILE COPY

Date	Surname	Code
12/4	Talbert	800
	Hanna	500
12/5	GCS	120
		220

DEC 5 1961

Mr. Carl H. Peterson
4307 Tejon Street
Denver 11, Colorado

Re: DMEA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm-E29
and
DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe and John Mine
San Juan County, Colorado
Contract Idm-E309

Dear Mr. Peterson:

Your November 28 letter requests copies of the invoices covering certain purchases of equipment under the referenced contracts. We regret that the original documents are not immediately available and, therefore, we are not in a position to satisfy your request.

According to our records, however, the July 1951 Operator's Monthly Progress Report under contract Idm-E29 included a $5,540.94 claim for equipment purchases. The items involved and the costs, as adjusted by subsequent audits, were a compressor @ $3,500.00, a tramaire @ $1,681.40, a power saw @ $138.72, and a welding outfit @ $142.49. Our records do not disclose the serial numbers or other identification of these items.

The July 1952 Operator's Monthly Report and Voucher under contract Idm-E309 included a $175.00 claim for a B. F. Sturtevant #5 fan with 15 HP Westinghouse motor, type CCL, serial 378142. The March 1953 Operator's Report and Voucher under the same contract included a $318.24 claim for an automatic grinding machine. Our records indicate no further identification on this grinder.

Sincerely yours,

/s/ George C. Selfridge

EDTalbert/ama 12-4-61

ACTING Director

cc:
Docket - DMEA-606
Director's Reading File
CA & A Division
Acting Field Officer, Region III (2)

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
3/9	Talbert	800
	Gruenwald	500
3/9	Selfridge	120
4	Johnson	110
3/9	Fumich	100
		225

MAR 9 1962

Blue Bird Mining & Milling Co.
c/o M. Rex Jones
126 South Clarkson Street
Denver 9, Colorado

Re: DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm-E29
and
DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe and John Mine
San Juan County, Colorado
Contract Idm-E309

Gentlemen:

The information requested in your March 6 letter regarding the referenced contracts follows:

Docket No.	DMA-606	DMEA-1870
Contract No.	Idm-E29	Idm-E309
Royalty Expiration Date	June 27, 1965	May 1, 1965
Government Contribution	$41,240.31	$1,808.42
Royalty Payments	1,622.70	-o-
Balance Repayable	$39,617.61	$1,808.42

The royalty payments stated in the above tabulation include the $100.00 compromise settlement made on November 10, 1960. Also, the understanding expressed in the third paragraph of your letter is correct.

For your own protection, in the event of sale or lease of the property, provision should be made in the instrument of conveyance for payment of the Government's royalty. Notice of such sale or transfer also should be furnished to the Acting Field Officer, OME Region III, Building 20, Federal Center, Denver 25, Colorado.

Sincerely yours,

George Fumich, Jr.

Director

EDTalbert/hb (3/9/62)
cc to: Docket DMA-606
Docket DMEA-1870
Director's Reading File
CA&A Div. (3)
Region III (2) w/copies of incoming letter

43683

BLUE BIRD MINING & MILLING CO.

c/o M. Rex Jones
126 So. Clarkson St.
Denver 9, Colo.

OFFICIAL FILE COPY
O. M. E
RECEIVED MAR 8 1962

AIRMAIL

March 6, 1962

800
500

Mr. George Fumich, Jr.
Director of O.M.E.
U. S. Department of the Interior
Washington 25, D. C.

Re: Odm-E29 and Odm-E309

Dear Sir:

The above loans were made to the U. S. Metals Corporation, the Lessee of our property, in 1952, 1953, or 1954.

Our purpose in writing to you at this time is to determine the amount of the principal balance due the Government under the terms of the contract. In this connection, attention is called to the fact that the Lessee defaulted in paying the Government some of the royalties that should have been paid when production was being carried on. But since that time our Company has, by compromise, made a settlement with the Government on account of such defaulted royalties.

It is our understanding that should our Company make any further leases or a sale of the property, such transactions will be subject to the Government's rights under the above contracts, until the expiration of the periods set forth in the contracts.

We thank you in advance for supplying us with the above information as soon as practical.

Very truly yours,

BLUE BIRD MINING AND MILLING COMPANY

M. Rex Jones

M. Rex Jones, Manager

MRJ;n

OFFICIAL FILE COPY
O. M. E
RECEIVED NOV 30 1961

DATE	INITIALS	
		~~140~~
		~~800~~
		500
		500

4307 Tejon Street
Denver 11, Colorado

November 28, 1961

Mr. George Fumich, Jr.,
Director, OME
Department of the Interior
Washington 25, D. C.

RE: DMA-606 Contract ~~I-DMA-E-29~~
DMA-1870 Contract ~~I-DMA-E-309~~

Dear Mr. Fumich:

July 1951

I would appreciate receiving a photostatic copy of an invoice that the Government participated in on the above mentioned contracts about May or June of 1951.

This is machinery that was stored at Glenwood Springs, Colorado. The owner was a party from Ohio.

I believe the amount of the invoice was about $5,000.

July 1952
January 1953
March 1953

Then on the second contract, DMA-1870 Contract I-DMA-E-309, there was a fan which was purchased on a $57.00 monthly rental. Also a bench grinder which cost $60.81.

The reason that it is necessary that I get a list of these invoices is that all of this machinery has been stolen and I must have the serial number before I can turn it over to the Sheriff..

Thanking you in advance for giving this your immediate attention, I am

Very truly yours,

Carl H. Peterson

Carl H. Peterson.

The Fiscal Section states that, through error, these files were prematurely sent to the GSA Records Center. Mr. Aldridge and I agreed we shouldn't go to the trouble and expense of retrieving the files for the purpose of answering this letter. Fallon 12/4/61

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
10/4	[illegible]	500
10/5	Selfridge	120
"	Johnson	110
10/6	Fumich	100
		220

OCT 5 1961

Mr. H. C. Sprinkle
P. O. Box 1835
Durham, North Carolina

Re: DMA-606 (Lead-Zinc-Copper)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm-E29

Dear Mr. Sprinkle:

Thank you for your letter of September 30, 1961. In accordance with your request, enclosed are copies of printed information pertaining to the Office of Minerals Exploration program (one copy each of the regulations, questions and answers booklet, and MME Form 40 application). We will be glad to forward additional copies of the application form to you upon request, or they can be obtained from the OME Acting Field Officer, Region III.

Sincerely yours,

George Fumich, Jr.

Director

Enclosures

GLAult/a

10-4-61
cc to: Director's Reading File
Region III (2)
Docket
Code 500

43683

OFFICIAL FILE COPY
O. M. E
RECEIVED OCT 2 1961

DATE	INITIALS	CODE
10/2		800
	INDUSTRIALIST	500
" Prosivals		500
		220

DMEA-606
U.S. Oil

H. C. SPRINKLE

DURHAM, NORTH CAROLINA

ECONOMIST

30 September 1961

Mr. George Fumich, Jr.
U. S. DEPARTMENT OF INTERIOR
Mineral Explorations
Washington, 25, D. C.

Dear Mr. Fumich, Jr.:

Thank you for your letter of September 28, 1961, with reference to the Government's lien on mining property which I hold on tax certificates.

I own about 700 (approximately) patented claims, choice, selected, in the heart of the San Juan District.

I am planning on going back to Silverton in the summer of 62 and I believe there is some good qualified mining people that will be glad to get a loan and really pay it back. I would thank you for any information that you can give me as to how to get a loan, the conditions, etc. However, I guess the same conditions would apply as you have outlinged in your letter?

And as for the lien against the property, I am to old to try and work it, however, I have been trying to lease some of my holdings to good qualified mining people. There has been no production.

Thanking you very much for your information, I am,

Yours truly,

H C Sprinkle by MKR

H. C. Sprinkle

CC: U S Dept, of Interior
Denver, Colorado

HISTORY OF SAN JUAN COUNTY

(taken from Quarterly of the
Colorado School of Mines
dated October, 1910.)

In 1861 a large party of miners, under the leadership of John Baker, penetrated the mountain rimmed park where Silverton now stands. The Utes and the Navajos gave considerable trouble when they found that the white man intended to stay. It was only by strategic moves, by camping with the Utes when they were on the war path with the Navajos, or by allying themselves with the Navajos against the Utes, that it was possible to travel the trails in and out. For nine seasons this continued. In 1870 a prospecting party, sent out by Governor Pike of New Mexico, discovered the Little Giant mine in Arastra Gulch. In 1872 troops were sent into the region to drive out the white men, whose presence violated the treaty of 1868. The same year a commission was appointed by Congress to draw up a new treaty with the Indians and to reduce their territory. This was effected by paying Chief Ouray $1,000. This treaty, made in 1872 and ratified in 1873, was called the Brunot treaty. After the signing of the treaty of 1874 more than two thousand miners rushed to the camp and more than that number of claims were staked out. Howardsville was then the county seat of La Plata County. In the autumn of the same year Silverton became the county seat and two years later San Juan, Ouray, San Miguel, and Dolores counties were made from it.

Development of the Mining Industry.

In 1872 the first mining Company, The Little Giant, was organized in Chicago. The arastras on the property were replaced by an amalgamating mill equipped with a Dodge crusher, Ball pulverizer, five stamps, and a 12 H. P. boiler and engine, all of which machinery was hauled over the old wagon road from Pueblo at a cost of 25 cents per pound. A 1,000-foot wire rope tramway was constructed from the mine to the mill. During that season the mine produced $12,000 out of a total of $15,000 for the whole camp.

Mineral Point, above Animas Forks, sprang into existence in 1873 by the discovery of sulphides in the big veins of the section. In 1874 it was very active. The Bill Young, Boston, Red Cloud, San Juan Chief, Old Lout, Polar Star, Mammoth, Syracuse, Pride, Annie Wood, Black Silver, Mohawk, Sunset, Early Bird, and other mines produced heavily. There is probably no area in the county where outcrops are so numerous and lodes and veins are so conspicuous, as in the area immediately surrounding Mineral Point. The summit of Mineral Point, from which the settlement was named, is formed of a heavy vein of nearly solid white quartz sixty feet wide. This section contains the first, and consequently the oldest, patented claims of the district.

In 1874-5 material and machinery were brought in on burros from Colorado Springs for the building of the Green Smeltery which was "blown-in" during 1875. The bricks used in the construction cost one dollar each laid down in the park. This smeltery operated until 1879 and produced $400,000 worth of lead-silver bullion.

From Arastra Gulch mining spread to Sultan Mountain. The North Star, Jennie

Parker, Hercules, and Little Dora were quickly opened and became producing properties. In 1875 the output of the camp was $35,000 and by the autumn of 1876 the total output was estimated at $1,000,000.

Mining activity now spread to Cunningham Gulch. The Pride of the West and the Highland Mary Mine came to the front, followed by the Dives, Shenandoah, and North Star. From Cunningham Gulch the excitement spread to Maggie, Minnie, Eureka, and Placer Gulches. Mining was stimulated by the presence of the ore buying agencies of Mather and Geist of Pueblo, and of Crooke and Co. of Lake City. The Mountain Queen mine shipped 370 tons running 64 per cent lead and 30 ounces of silver. In 1879 the road was built up Cement Creek to Gladstone and Poughkeepsie Gulch, where many promising properties were being operated--the Old Lout, Alabama, Poughkeepsie, Red Rogers, Saxon, Alaska, and Bonanza. Chlorination and lixiviation works were erected at Gladstone, Animas Forks, and Eureka. At the head of Eureka Gulch, by assiduous prospecting and assaying, the Thompson boys found the free gold streak in the Sunnyside. The yellow metal was also found on the Sampson and Gold King on Bonita Mountain and on the Sunnyside extension in Placer Gulch.

In 1881 the remarkable deposits between Red Mountain and Ironton were discovered and the region swarmed with prospectors. The Yankee Girl ore body was struck in 1882 and, with the Guston, National Bell, and Genessee Vanderbilt, produced between $7,000,000 and $10,000,000 in high grade silver and copper ore.

The Green smeltery had two years previously come into the possession of the New York and San Juan Smelting Co. and in 1881 moved to Durango, becoming the San Juan Smelting and Mining Co. The Martha Rose smeltery was built near the Hercules mine in 1882 and smelted a small amount of bullion. In 1883 Silverton was extremely active. Three sampling works came into prominence--those of E. T. Sweet, T. B. Comstock, and Stoiber Bros. The North Star mine on Sultan Mountain, Belcher, Jennie Parker, Green Mountain, Highland Mary, Aspen, Grey Eagle, North Star on King Solomon, Sunnyside, Ben Franklin, and many other properties were actively producing. Packers and teamsters were making money rapidly. In 1886 the Scenic Route Silverton Railroad was built to Red Mountain and Ironton Park in order to handle the enormous traffic that had developed. The Silver Lake Mine and the Iowa Tiger in Silver Lake Basin now came into prominence. In 1890 the first successful attempts were made to concentrate low grade sulphide ore, which averaged from $10.00 to $30.00 per ton. Edward G. Stoiber and J. H. Terry both experimented successfully along these lines. Their example was followed by many others and a number of mills were erected which produced high grade concentrates, like the North Star on Sultan Mountain, Hercules, Gold King, Sunnyside Extension, Highland Mary and others.

In 1894 Thomas F. Walsh erected a smeltery just west of Silverton and treated ore by the Austin process. This smeltery was operated for three years and treated about 100,000 tons of ore. The production of silicious ore, which was needed to flux the sulphide ore of the Red Mountain district was encouraged and at times it was in such demand that the treatment charge was reduced to four dollars per ton. In 1892-3 the rapid decline of the price in the price of silver caused a general decrease in mining activity. The Walsh smeltery closed in 1897. Shortly after the various sampling works were forced to suspend operations, and left the American Smelting and Refining Co.--the owners of the Durango plant--in sole possession of the field. in 1896 the smelter strike caused a general closing of the mines but after the recovery from this the production of the camp steadily increased. In 1900 the Kendrick-Golder pyritic smeltery was built at Silverton, and has operated

intermittently since.

Development of Traffic Facilities.

The first means of transportation, ox and mule teams to Del Norte and pack trains across the continental divide, gave way to wagon haulage when the Stony Pass road was built in 1879. The next road into the county was built from Saguache in 1873-4 by way of Cinnamon Pass and Burrows Park. In 1879 the wagon road was completed to Durango following the canon as far as possible. In 1883 the Mears toll road was built from Ouray to Silverton. With the road built up Cement Creek into Poughkeepsie Gulch in 1879, and the building of the wagon road to Mineral Point and on to Lake City in 1885, the county was provided with good means of traffic. Almost all the gulches were supplied with good trails. In July 1882 the Denver and Rio Grande R. R. built into Silverton with the result that the freight rates which had been lowered to $16.00 to Alamosa through the Lake City competition became $12.00 over the new railroad to Pueblo. More than six thousand tons were shipped in the first month. In 1885 the Mears Transportation Co. was organized by Otto Mears, "The San Juan Pathfinder," for the hauling of freight and passengers up all the gulches. In 1886 he built the railroad to Red Mountain and Ironton Park, fifteen miles; in 1894 he built the Silverton Northern R. R. to Eureka, nine miles, and in 1904 he extended it three miles farther, to Animas Forks. In 1905 the Silverton, Gladstone and Northerly R. R. was built to Gladstone, seven miles, and the two mile spur from Howardsville up Cunningham Gulch was completed. Thus equipped with railroad facilities, many mines proceeded to erect mills and tramways to take advantage of the new state of affairs.

Ore Treatment.

The difficulties which attended mining in the seventies and eighties made it necessary to select only the highest grade of ore for shipment. Many mines were able to get out ore that would run from fifteen to fifty dollars per ton but could not make it pay. By tireless efforts and steadfast application, combined with great faith in their mines, Edward G. Stoiber and Judge J. H. Terry had gained control of their properties, the Silver Lake group and the Sunnyside. On each property small stamp mills had been erected; their succeeding development and operation was entirely successful. In Silver Lake basin Edward G. Stoiber built a larger mill and placed modern machinery in it. More ground was acquired and an aerial tramway was built to a loading terminal in the Animas Valley. Later on a splendid mill was built near the lower terminal and gradually the equipment was extended to power plant and other modern apparatus. About the same time Judge Terry constructed a mill at the forks of Eureka Gulch and connected it to the mine by an aerial tramway. As the mine grew in development and production a third mill was built at Eureka on the railroad and the midway mill was made into an angle station for the tramway. To these two men, who solved the problem of concentrating the low grade ore to bring its value up to a marketable quantity, are due the thanks of the community. The Sunnyside, a gold property, and the Silver Lake, a low grade sulphide property, became examples of successful handling of large bodies of low grade ore. Following this precedent many mines erected similar plants; the effect was far reaching and enduring. It was proved that the technical skill employed by Stoiber and Terry would enable the average mine to become a dividend payer. Another fact brought to the mind of the operator was that a concentrating equipment meant the outlay of considerable capital; first for the development of the mine to secure the necessary tonnage to operate on a large scale, and, second, for the actual cost of the equipment, whether it was put in a little at a time and made to pay for itself as was the case at the Silver Lake and the Sunnyside, or whether it was immediately accomplished by the use of large capital.

Development must be kept far ahead of the ore reserves in both high grade and low grade properties. In the San Juan, the high grade ore occurs in chutes of variable width, and while one chute is being worked out the development must proceed to the next. This was a difficult matter by hand work, but today, with power facilities in every part of the county, machine development is made possible and the gold bearing properties that have adopted this procedure are realizing that one of the most difficult features of mining has been solved. The same application may be made to low grade bodies which occur in chutes, much larger perhaps, but in which development is even more essential.

Tunnels.

Several deep tunnels have been driven; the Terry tunnel in Eureka Gulch which will cut the Sunnyside vein at a depth of over 1,000 feet; the Gold King tunnel which is designed to open the veins of the Gold King and Sampson mines at a depth of 900 feet below the American tunnel level; the Mammoth tunnel, started into Anvil Mountain from Cement Creek, is designed to cut the Red Mountain country at enormous depth; the Yukon tunnel of the Boston and Silverton M. and R. Co. which is now driven into Boulder Mountain from Cement Creek, a distance of 2,500 feet and has cut 15 veins of variable width and value; the Bagley tunnel in California Gulch, above Animas Forks, which will pass under the Mineral Point country at great depth; the Domingo Tunnel at Eureka constructed to cut the lodes of Niagara Gulch at a depth of 1,500 feet.

Perhaps the most striking of deep tunnel work is that of the Hercules Mine at Silverton. In 1876 a fifty-foot shaft was sunk on the Empire lode of this group. In 1882 the Little Dora lode was developed by a shaft and a little later on was cut a few feet lower by a short tunnel. In the meantime the shaft on the Empire had been sunk to 125 feet. The Montezuma tunnel was then driven into the hill, considerably lower down, and cut both veins. In 1896 the Empire Tunnel was started 150 feet above the bed of Mineral creek. At twelve hundred and thirty feet it passed through the Dora vein and a thousand feet farther through the Hercules. It was extended 800 feet farther into the mountain but was stopped there. Today the mine is worked through this tunnel, the portal of which is situated on a level with the top floor of the mill. This mine, operating successfully today, is an example of persistent development and judicious handling. The sixth level on the Hamlet mine above Howardsville on the level of the Animas River has been driven into the Hamlet vein which it struck on August 12, 1910, and cut a vein four feet wide with eighteen inches of rich sulphide ore.

Tramways.

Transportation over the surface to mills and railroads is effected by means of aerial tramways, pack trains, and wagons. From Bear Creek, the sylvanite camp in the southeastern portion of the county, burros and mules are used on a trail over the continental divide. Many of the mines are equipped with wire rope tramways. The first ones were automatic, with small buckets attached to the traveling cable. These were in operation on the Samson, Little Giant, and Sunnyside Extension mines.

Today tramways are used on the following mines:

Gold Prince	13,000	feet
Sunnyside	15,600	"
Kittemac	10,000	"
Peerless San Juan	3,200	"
Old Hundred	3,700	"
Green Mountain	3,000	"
Arpad	6,200	"
Iowa Tiger	14,375	"
Silver Lake	13,730	"
Unity	3,750	"
Gold King	4,500	"
Mogul	10,000	"
Henrietta	5,300	"
Silver Ledge	3,750	"
Total	117,600	"

Power.

Power is furnished for the whole district by the San Juan Water and Power Company, generated at Tacoma, twenty miles below Silverton, at a voltage of 75,000 volts. It is transferred to the sub-station above Silverton where it is stepped down to 17,000 volts for distribution over the county. At present only 6,000 H. P. is being generated but the company has the equipment facilities for producing 75,000 H. P. at any time it is required.

Ore Dressing.

In San Juan County two general systems of ore dressing have been followed, using stamps and rolls respectively for crushing mediums to a fine state of division. In the first type the general procedure is crusher (jaw or gyratory), stamps, amalgamating plates, classifiers and further concentration on tables followed by a sliming plant for additional concentration or by canvas tables. In the second system are used crushers, rolls, trommel screens, classifiers, jigs, tables, and canvas plants. Properties using the second system save from 65 to 80 per cent of the value in the jigs.

Electrostatic separating plants have been installed in three mills in San Juan County, namely, the Sunnyside, Grand Mogul and Silver Ledge. These are of the Blake Morscher type and are used to separate the zinc from the iron and copper pyrites.

Although installed and highly successful in the western portion of the San Juan Triangle, at Telluride, there has been no cyanide practice in San Juan County. Exhaustive tests have been made on the ores of Maggie Gulch, Minnie Gulch, and Ice Lake basin where the results have shown a saving of over ninety per cent of the values by simple percolation methods. There is much ore in San Juan County that can be treated by this method, containing apparently no detrimental factors, i. e. ores running about 80 per cent in silica and so situated that their mining and smelting cannot be accomplished profitably. The average cost of treatment by cyanidation is estimated as $5.80 per ton even in the most remote portions of the county. It is highly probable that the precedent of cyanidation will be rapidly followed by many properties when some one mill adopts it.

Statistics gathered on the zinc contents of San Juan County ores show thirty-

five properties with an average of 15 per cent or more. Eight of these properties are equipped with mills; outside of the Mogul their character is such as to render the making of a 45 per cent zinc product an easy matter on concentrating tables. It has been pointed out by zinc authorities that San Juan County can be made a heavy producer of zinc by having at Silverton a concentrating plant and a zinc separating plant for the treatment of crude ore and zinc concentrates. The separator should be built along electrostatic lines to effect the separation of the pyrite and chalcopyrite from the sphalerite. The clean zinc product would then be valuable for shipment to a zinc smeltery. Durango, forty-five miles below Silverton, in the center of the coal fields, has been suggested as an admirable point for the erection of a zinc smeltery, drawing the zinc ores from Silverton, Rico and Telluride, and having as its chief advantage the low cost of fuel and labor.

Ores of San Juan County.

In very few mining districts of the world are to be found the extensive variety of ores that abound in this county.

Sylvanite Ore.

Until 1890 very little sylvanite ore had been found. After this time sylvanite ore was found in the Good Hope and Wonder, and the Gold Bug at Bear Creek. Extensive development was done on the Gold Bug property but it was necessarily slow because the work had to be done by hand and transportation into the place was only by pack trains over a rugged trail. The Gold Bug was located in 1893 by the present owners of the Kankakee; two years after it was jumped on a short assessment and later was sold for $26,000 to J. H. Collins of Creede. The same year the Good Hope and Wonder were located and in the following year, 1893, the Kankakee. In 1910 two important strikes of this class of ore are reported from this section. On the Kankakee group to the south of the Gold Bug, development was started on a small seam in the quartzite. This seam later widened and disclosed considerable quantities of brecciated quartz containing sylvanite and calaverite. Shipments from this property today are carrying 18 ounces in gold and 22 to 26 ounces in silver.

Free Gold.

Until 1893 no gold in the ore was paid for except when it was plainly visible to the naked eye or made a good showing in the pan. Careful assaying and elimination of the barren streaks revealed gold in the Sunnyside Mine and assisted materially in its early success and development under the Thompson Bros. and Judge J. H. Terry.

In the Sunnyside Extension, several hundred thousand dollars were taken out in free gold. Here it was scattered through masses of spongy quartz and imbedded with sphalerite and molybdenite or associated with a bismuth mineral, perhaps bismuthenite. Occasionally it has been found in the Sound Democrat and in the Golden Fleece Mine where it is intersected by the Scotia vein. At this junction one pocket yielded an immense fortune to Rasmus Hansen and others. On the Isolde mine on Woods Mountain $300,000 is reported to have been taken out in gold and silver. Kendall Mountain and Silver Lake basin have been the center of free gold discoveries at intervals since 1872. The first free gold in the county was taken from the Little Giant lode, three sacks of which were reported to have been worth $4,000 to $5,000. This was in 1872; a short time afterward the Big Giant in Giant basin

began to produce the same character of ore. At the head of Whitehead Gulch, to the south of Kendall Mountain, a pocket of free gold was discovered on the San Pedro claim comprising a streak one quarter inch to three inches wide. Gold and Silver occurred in this ore in the ratio of two to one; assays showed the streak to carry 75 per cent of these two metals. This is said to have been one of the richest strikes ever made in San Juan County. To the north in Deer Park on the Mabel group several pockets of free gold have also been found. In this locality the quartz all contains more or less free gold. In Spencer basin on the Gold Lake group, free gold is found in quartz seams running through a very much decomposed rhyolite. Leading into this area through the Bumble Bee and Homestake lodes is a quartz vein, very narrow on the surface but widening out to eight feet at a depth of eighteen feet, which carries more or less free gold in panning quantities. Across the hill from this is the Tiger Mine in Silver Lake basin, where a large deposit of free gold quartz has recently been found, shipments of which have returned eight ounces in gold to the ton. Where this strike was made the quartz averaged about five inches wide and contained numerous stringers of free gold, the first assay of which returned 62 ounces. This find is not yet sufficiently opened to prove its extent but the fact that it has been overlooked, the sulphide ore alongside having been broken to it, would lead to the belief that it may occur at any point in this particular locality. North of Silver Lake basin, in what is known as Woodchuck basin, are two of the oldest mines in the section which were worked principally for free gold, the Whale and the Nevada mines. Both these are on the same lead presumably--the extension of the Tiger and the Silver Lake. The best ore in the Nevada mine was found where the vein intersected the extension of the Iowa lead. An example of faithful prospecting is shown on the Big Bull lode to the south of the Aspen mine on Hazelton Mountain, one of the mountains that marked the discovery of gold in the early days. Experience gained in Cripple Creek and Nevada led to the prospecting of porphyry contacts in this section with the subsequent discovery, within the last two years, of free gold in quartz veins. Quartz fissures two or three inches wide, literally filled with flakes and wires of free gold, occur in chutes and streaks in these dikes. On the Green Ribbon claim on the western slope of Kendall Mountain a twelve foot vein of quartz yielded three and four ounces ore in 1894. In 1905-6 the Old Hundred mine produced considerable free gold, taking from $30,000 to $40,000 off the plates each month in a forty stamp mill.

Gold was discovered in Maggie Gulch by accident. Aage Gottleib had broken some quartz from the Gold Nugget vein and had taken it to Ouray where it had been kicked around his cabin for three or four months. One day a curious assayer offered to run it and to his surprise it yielded eleven ounces in gold to the ton. Gottleib returned the following spring and located the Gold Nugget lode and took out about $10,000 in a single pocket on the surface. Recently several valuable chutes of good ore have been found and a lot shipped to Colorado Springs for a cyanide test yielded $669 per ton.

On the Iron Mask claim in Maggie Gulch, now a part of the Intersection Mine, a seam of ore was discovered by Jack Gray from which 900 pounds yielded 221 ounces in gold and 72 ounces in silver. This property is now equipped with a five stamp mill and is taking considerable gold and silver off the plates. The Victor Hugo, a property to the north of the Intersection, has produced from one place 20 tons of ore that netted $15,000. The Little Maud, between this mine and the Gold Nugget, occasionally runs into ore that returns very high values. In the Ridgeway, on the divide between Maggie and Porcupine Gulches, some excellent ore has been extracted running as high as 5½ ounces in gold and 190 ounces in silver. The Golden Egg group below the Ridgeway in Maggie Gulch, carrying the same finely disseminated argentite values in a hard white quartz, shows an average of eight dollars in gold.

The Mascot vein near the Intersection to the west has produced considerable high grade ore of the same character. In Minnie Gulch the Esmeralda has produced some excellent ore. In 1909 a pocket of argentite and wire silver was found, 37 sacks of which, making 4,100 pounds, netted $2,300 carrying 1,700 ounces in silver. The O. K. vein on Crown Mountain has yielded picture assays of 22 ounces in gold and 127 ounces in silver. Nine tons shipped from the surface in 1909 returned $85.00 per ton.

The veins of Minnie and Maggie gulch trend north and south. Considerable antipathy was displayed in early days towards these veins, because they showed no galena or gray copper values. The gold and silver in these veins occurs in bluish and black streaks and blotches of very finely divided argentite, which was wrongly termed brittle silver. In many of the properties in this section the rich ore is accompanied by iron pyrite, and, as shown in the Buffalo Boy and Stony Pass groups, frequently carries splendid values in ruby silver. The Stony Pass Co. has taken out some large specimens of pure argentite which easily yields native silver under the blowpipe. Recently they have cut the vein at considerable depth and find splendid values in ruby silver and argentite across twelve feet of quartz with a concentration of better values on the foot wall. This is contrary to the findings on the majority of the veins in the section on which the best values are found on the hanging wall.

Gray Copper Ore.

The first discoveries of gray copper ore were made on the Highland Mary, Bives, Shenandoah, and North Star lodes. This ore was frequently accompanied by silver to the extent of 700 to 800 ounces to the ton. These properties began to produce in 1872; several of them are today shipping a fine class of crude ore of the same character. In Silver Lake basin, gray copper was frequently found in the Iowa and Silver Lake lodes. Another section that is notable for this character of ore consists of the Champion, Detroit, Colorado, King, North Star and Hercules groups, on Sultan Mountain. It was also found in considerable quantity in the Tom Moore and Silver Wing mines on Jones Mountain and in Poughkeepsie Gulch on the Poughkeepsie Bonanza. Along the northeastern slope of Anvil Mountain rich gray copper ore has been found in the Lone Star and Pearl mines. In 1910 a rich strike has been made of this ore on the Kansas City lode in Georgia Gulch which carries 1800 ounces of silver. It was the most sought for in the district in the early days and rivaled lead very closely in production. Today it is being produced quite extensively at the Frank Hough mine on Engineer Mountain associated with chalcocite, chalcopyrite and bornite.

Sulphides of Lead and Copper.

The sulphides of lead, copper and zinc have been produced most extensively from Silver Lake basin, Sultan Mountain and in a belt several miles wide running from Gladstone to Horseshoe basin. Outside of these districts important productions have been made from the Pride of the West, Green Mountain, and Old Hundred mines in Cunningham Gulch, and on the Peerless, San Juan and Kittimac mines in Minnie Gulch. The early development of these localities was due to the occurrence of the sulphides which were in demand on account of the silver contained in them. Other minerals that have been found more or less extensively are barite, calcite, dolomite, rhodochrosite, kaolinite, flourite, rhodonite, sericite, epidote, chlorite, and zircon, as gangue minerals; pyrite, enargite, stromeyerite, bournonite, zinkenite, guitermanite, stibnite, polybasite, proustite, bismuthenite, molybdenite, hematite, hubnerite and anglesite as ore minerals. Of these a bismuth mineral, probably bismuthenite, occurs in the Gold Prince mine and on Galena and King Solomon Moun-

tains. In the Gold Prince it is closely associated with gold.

Hubnerite is found on the Adams lode and Gold King on Bonita Mountain, in the Sunshine and Dawn of Day in Dry Gulch, and in the Anglo Saxon, DeLano, and Yukon properties farther down Cement Creek. In the Tom Moore mine and some of the lodes of Eureka Gulch it occurs in small quantities. It has also been reported from the North Star mine and Hercules group on Hercules Mountain. Anglesite has been found in considerable quantity in the outcrop of the North Star lode and the Mountain Queen lode of King Solomon Mountain. Probably the largest deposit of enargite in the United States is found in the San Antonio mine at Red Mountain. Here it occurs massive with layers of columnar structure of the mineral two and three inches deep. Zunyite, the rare mineral of San Juan County, has been found in the Zuni mine on Anvil Mountain from which it derived its name. It is reported from no other mine in the world. In the lime quarry below Silverton, vesuvianite is found associated with garnet. A point worthy of comment is the similarity in the physical properties of the bismuth ore from the Gold Prince, gray copper from various sections, and the sylvanite ores of Bear Creek. To the novice they are hardly distinguishable.

Local Treatment.

One of the most important factors in mining in San Juan County today is the institution of local treatment for the lower grade of ore. Cyanide treatment is at present the most feasible for a vast tonnage now necessarily idle. The sylvanite ores of Bear Creek, the free gold ores of Whitehead Gulch, Deer Park, Kendall Mountain, Maggie and Minnie Gulches and Ice Lake basin are undoubtedly amenable to this treatment. In Ice Lake basin gold occurs finely disseminated through yellow saccharoidal and manganese stained quartz, in values ranging from $12 to $25 per ton and offering no difficult metallurgical problems. The ores of Bear Mountain, South Eureka Gulch, and other places in the County have been suggested for such treatment but have not yet been investigated.

With the advantageous power facilities it is possible that future years will see the installation of electrical smelting and the exploitation of the low grade ores by electrical precipitating processes such as the Malm process or others not yet known.

Resume.

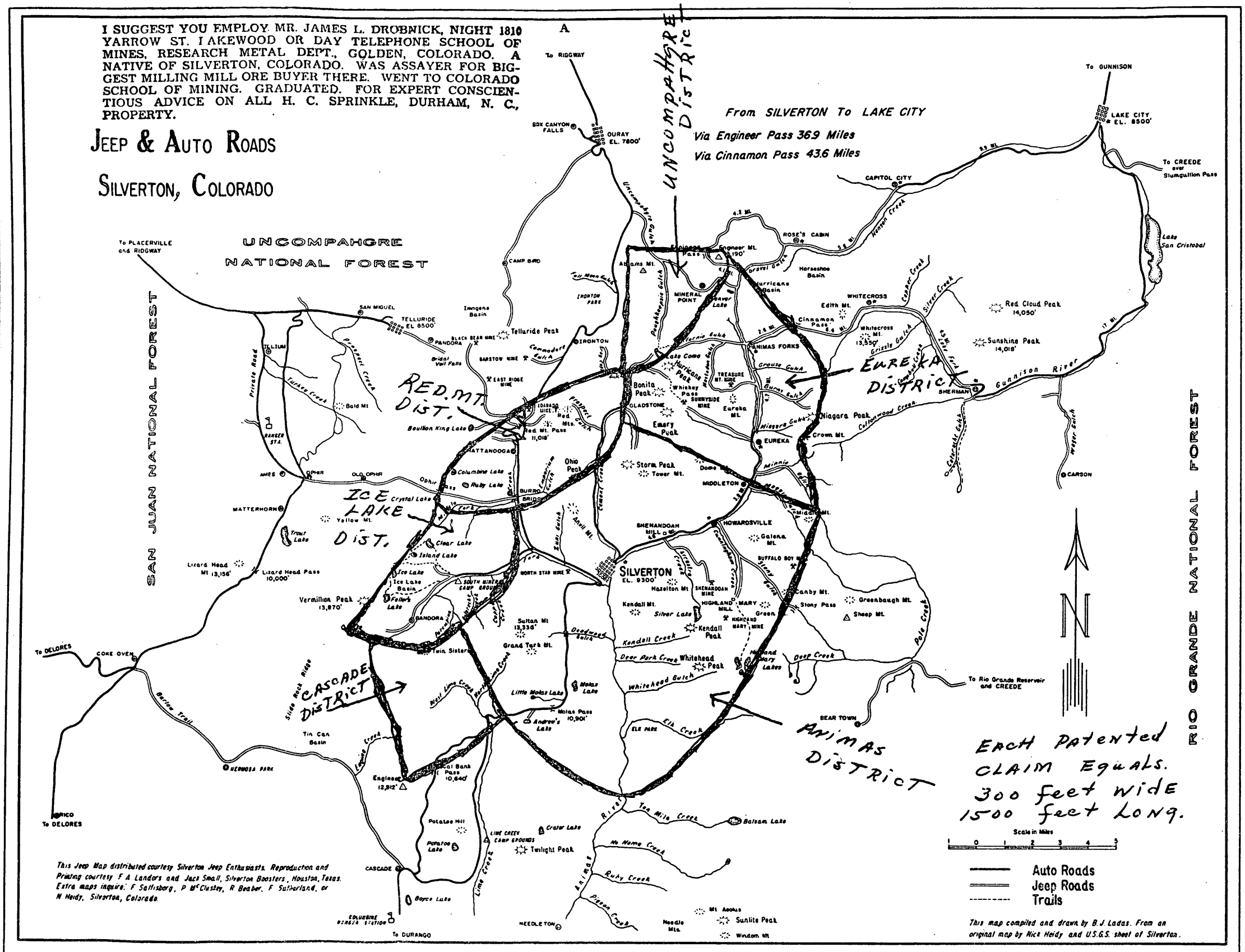
On account of the distance from Denver and other central points and the very small extent to which San Juan County has been advertised, it is behind other sections in special processes. It needs a smeltery for the treatment of low grade ore carrying from $8 to $15 per ton, besides plants for the dressing of zinc ore carrying an average of 15 per cent zinc.

Divided into forty prominent gulches, each one a fair sized mining district in itself, the county displays a vast network of big veins of low grade ore in addition to the occasional rich strikes. The development done on the old properties has no more than scratched the surface. San Juan is the center of a mineral empire, with ore, coal, timber, water and power. It needs business men, builders of enterprises, to make fortunes for themselves and to bring out the great wealth that still lies in the mountains.

I SUGGEST YOU EMPLOY MR. JAMES L. DROBNICK, NIGHT 1810 YARROW ST. LAKEWOOD OR DAY TELEPHONE SCHOOL OF MINES, RESEARCH METAL DEPT., GOLDEN, COLORADO. A NATIVE OF SILVERTON, COLORADO. WAS ASSAYER FOR BIGGEST MILLING MILL ORE BUYER THERE. WENT TO COLORADO SCHOOL OF MINING. GRADUATED. FOR EXPERT CONSCIENTIOUS ADVICE ON ALL H. C. SPRINKLE, DURHAM, N. C., PROPERTY.

JEEP & AUTO ROADS

SILVERTON, COLORADO



EACH PATENTED CLAIM EQUALS. 300 feet WIDE 1500 feet LONG.

This Jeep Map distributed courtesy Silverton Jeep Enthusiasts. Reproduction and Printing courtesy F. A. Landers and Jack Small, Silverton Boosters, Houston, Texas. Extra maps inquire: F. Saltsberg, P. McCluskey, R. Beaber, F. Sutherland, or N. Heidy, Silverton, Colorado.

This map compiled and drawn by B. J. Ladas. From an original map by Nick Heidy and U.S.G.S. sheet of Silverton.

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
9/28	Talbert	800
	Hausmann	500
9/28	Selfridge	120
"	Johnson	110
9/28	Fumich	100
		220

SEP 28 1961

Mr. H. C. Sprinkle
P. O. Box 1835
Durham, North Carolina

Re: DMA-606 (Lead-Zinc-Copper)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm-829

Dear Mr. Sprinkle:

Your September 22 letter regarding the Government's lien on the nine patented mining claims on which you hold tax certificates has been referred to this office for reply.

The referenced contract provides for payment to the Government of a percentage royalty on all minerals produced from these claims until the Government's contribution to exploration costs is repaid, or until June 27, 1965, whichever occurs first. To secure the payment of this percentage royalty, the Government was granted a lien upon the claims and upon any production therefrom. The present repayable balance of the Government's contribution is $39,717.61.

The Government's royalty is 1½ percent of the gross proceeds not in excess of $8.00 per ton of production in the form sold (ore, concentrates, metal, or equivalent), plus ½ percent for each full $.50 by which such amounts exceed $8.00 per ton, but not in excess of 5 percent of such proceeds. Only charges shown on the buyer's settlement sheets for treatment processes, sampling and assaying, and freight paid by the buyer to a carrier, are allowable as deductions in determining the gross proceeds.

You should authorize and direct any purchaser of production to pay the royalty directly to the Government and furnish the Government with two copies of the settlement sheets. Royalty payments should be made in favor of the Office of Minerals Exploration and mailed with the copies of settlement sheets to the Field Officer, Office of Minerals Exploration, Region III, Building 20, Federal Center, Denver 25, Colorado.

EDTalbert/ama
September 28, 1961

Sincerely yours,

George Fumich, Jr.

Director

Copy to: Docket
Dir. Read. File
CA & A Division
Acting Field Officer,
Region III (2)

43683

Building 20 - Federal Center
Denver 25, Colorado

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 27 1961

DATE		CODE
9/28		800
		500

September 25, 1961

H. C. Sprinkle
P. O. Box 1835
Durham, North Carolina

Re: DMRA-606 (Lead-Zinc)
Contract DMs E29
U. S. Metals Corporation
(Henrietta Mine)
San Juan County, Colorado

Dear Mr. Sprinkle:

Your letter of September 22, 1961 is being forwarded the Washington Office OME for reply and you will hear from them at an early date.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer, OME
Region III

HMC/lm
cc Chief, Division of Field Operations, OME
E29
Chron

Due 9/28/61 Refund of Royalty Payments
Net Cost Overrunes $11,940.31
Royalty Paid 1,522.70
Balance Refundable Underpaid $39,717.61

Forward
9/28/61

H. C. SPRINKLE

DURHAM, NORTH CAROLINA

ECONOMIST INDUSTRIALIST

22 September 1961

OME
DEPARTMENT OF THE INTERIOR
SEP 25 1961
REGION III
DENVER, COLORADO

E29

Mr. Hugh M. Connors
U. S. DEPARTMENT OF INTERIOR
Building 20 - Federal Center
Denver 25, Colorado

Dear Mr. Connors:

Reference to your letter of September 18th, 1961,; I am glad to know this information, however, I have not tried to work any of this property and have had no production of any kind.

I would like to know how much the government lien is on the property and any other information that you may care to give.

Yours truly,

H. C. Sprinkle

H. C. Sprinkle

HCS/mr

Selfridge

OFFICIAL FILE COPY

Building 20 - Federal Center
Denver 25, Colorado

September 25, 1961

220

Memorandum

To: Fiscal Section, Division of Administrative Services
Office of the Secretary, Department of the Interior
Washington 25, D.C.

From: Acting Field Officer, GMK, Region III

Subject: DMA-606 (Lead-Zinc-Copper)
U. S. Metals Corporation
(formerly U. S. Oil and Development Corporation)
Henrietta Mine
San Juan County, Colorado
Contract Idm-E29
and
DMRA-1870 (Lead-Zinc)
U. S. Metals Corporation
(Formerly U. S. Oil and Development Corporation)
Joe and John Mine
San Juan County, Colorado
Amended Contract Idm-E309

Attached are the original and one copy each of the Report of Royalty Review on the subject properties dated September 18, 1961; Idm-E29 covering the period February 12, 1954, through September 15, 1961 and Idm-E309 for the period May 1, 1952, through September 15, 1961.

Original signed by

Hugh M. Conners

Attachments
HMC/lm
cc Chief, Division of Field Operations, GMK
E. D. Talbert, Acting Chief
Contract Administration and Audit Division
Royalty Corres Idm E29
Royalty Corres Idm E309
Chron

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 20 1961

DATE	INITIALS	CODE
9/20	[illegible]	800
9/21	[illegible]	500
		500

Building 20 - Federal Center
Denver 25, Colorado

September 18, 1961

M. C. Sprinkle
P. O. Box 1835
Durham, North Carolina

Re: MMA-606 (Lead-Zinc)
Contract Ldn 829
U. S. Metals Corporation
(Henrietta Mine)
San Juan County, Colorado

Dear Mr. Sprinkle:

It has come to our attention that you hold tax certificates on all or parts of the following lode mining claims:

Claim	U.S. Survey No.	Claim	U.S. Survey No.
Henrietta	15586A	Mineral Queen	1622
Lizzie	15520	Harvey Gauge	15586A
Mineral King	2051	Prosperity	18621
Humbolt	15586A	La Crown	18620
Home Rule	15586A		

The Government holds a lien on the land and all production therefrom by virtue of the captioned contract. Royalty is due the Government on all production from this property until June 27, 1965 or until the amount the Government expended has been repaid, whichever occurs first.

In accordance with the terms of the contract, you are to report to this office any and all production from the captioned property.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer, OME
Region III

HMC/lm

cc Chief, Division of Field Operations, OME
Contract E29 Corres
Chron

ROBERT K. WYMAN
TREASURER COUNTY OF SAN JUAN
SILVERTON, COLORADO

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 20 1961

DATE	INITIALS	CODE

Sept. 14, 1961

Hugh M. Connors,
Acting Field Officer, OME
Region III
Office Of Minerals Exploration,
Building 20— Federal Center
Denver 25, Colorado.

Dear Mr. Connors:

Reference is made to your letter Dated September 11th, in which you requested the names and addresses of the holders of the tax sale certificates for the claims as listed in your letter, they are as follows:

The Berdilla, Galena, and Blackstone— Certificates held by P.H. Kuhter, 1187 Emporium Aurora, Colorado.

The balance of the claims as listed— the certificates are held by H.C. Sprinkle, P.O. Box 1839, Durham, North Carolina, except on the La Cross and the Prosperity, 1/2 is held on certificate by H.C. Sprinkle and the other or remaining 1/2 is held on certificate by San Juan County.

If you need additional info. please let me know.

Sincerely yours,
Bob Wyman

2

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
9/20	Selbredge	120
		220

SEP 2 0 1961

Memorandum

To: Acting Field Officer, Region III

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

Subject: DMA-606 (Lead-Zinc-Copper)
U. S. Metals Corporation
(formerly U. S. Oil and Development Corporation)
Henrietta Mine
San Juan County, Colorado
Contract Idm-E29
and
DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
(formerly U. S. Oil and Development Corporation)
Joe and John Mine
San Juan County, Colorado
Amended Contract Idm-E309

The original and one copy each of Reports of Royalty Review covering the subject contracts are attached. If you concur in the facts stated therein, please make the following distribution:

(a) Original of each to the Fiscal Section, Division of Administrative Services, Office of the Secretary, Department of the Interior, Washington 25, D. C.; and
(b) One copy of each for your files.

As evidence of your concurrence, copies of your memoranda transmitting the original reports to the Fiscal Section should be furnished this Division. If for any reason you do not concur, the original and the copy of each report should be returned to this Division with your comments.

These Reports of Royalty Review were made for record purposes only; therefore, no copies for the Operator are provided.

Attachments

EDTalbert/ama
September 20, 1961

Copy to: Docket - DMA-606
Director's Reading File
CA & A Division
Mr. Rothrock

43683

orm 7
-58)

OFFICIAL FILE COPY

Date	Surname	Code
8/25	Talbert	800
	Marsh	500
8/25	Schuyler on leave	130
"	Johnson	110
8/25	Turner	100
		220

AUG 2 5 1961

Memorandum

To: Acting Field Officer, Region III

From: ACTING Chief, Division of Field Operations

Subject: DMEA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm-E29
and
DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe and John Mine
San Juan County, Colorado
Contract Idm-E309

As suggested by your August 22 memorandum, a letter to the new owners of the claims under the subject contracts is definitely in order. Please notify them of the Government's lien on the land and upon any production therefrom.

/s/ W. R. Griswold

EDTalbert/ama
August 25, 1961

Copy to: Docket - DMEA-606
Director's Reading File
CA & A Division
Review Committee

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
Building 20 - Federal Center
Denver 25, Colorado

OFFICIAL FILE COPY
O. M. E
RECEIVED AUG 25 1961

DATE	INITIALS	CODE
8/25	[illegible]	800
		500
		500

August 22, 1961

Memorandum

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

From: Acting Field Officer, OME, Region III

Subject: DMEA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm E29
and
DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe and John Mine
San Juan County, Colorado
Contract Idm E309

I am advised by Robert Wyman, Treasurer of San Juan County, Colorado, that the claims subordinated to the Government by virtue of the above contracts have been sold for taxes but no mining operations are in process.

Will you please advise if I should notify the new owners of the claims, that any production therefrom would be subject to payment of royalty to the Government.

Hugh M. Connors

Hugh M. Connors

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

DATE	INITIALS	CODE
9/14	[illegible]	800
		~~500~~
		~~500~~
		VVO

Building 20 - Federal Center
Denver 25, Colorado

September 11, 1961

Robert K. Wyman, Treasurer
San Juan County
Silverton, Colorado

Re: DMEA-606 (Lead-Zinc) and ~~DMEA-1870 (Lead-Zinc)~~
Contract Idm-E29 Contract Idm-E309
U. S. Metals Corporation U. S. Metals Corporation
(Henrietta Mine) (Joe and John Mine)
San Juan County, Colorado San Juan County, Colorado

Dear Mr. Wyman:

see DMEA-1870

Thank you for your letter of August 31, 1961. Further clarification as to the present status of the claims is needed because I wish to correspond with the present holders of the tax certificates.

Will you please give me the names and addresses of the parties now holding tax sale certificates on all or any of the following claims.

Claim	U.S. Survey No.	Claim	U.S. Survey No.
Henrietta	15526A	Mineral Queen	1622
Lizzie	15520	Narrow Gauge	15526A
Mineral King	2051	Prosperity	18621
Humbolt	15526A	La Cross	18620
Mono Run	15526A		

On another DMEA contract, the Galena No. 1573, Mirdella No. 1524, and Blackstone No. 1333 were subordinated to the Government. Will you please advise the names and addresses of any parties holding tax sale certificates on these three claims.

I plan to see Guy Emerson Wednesday at the meeting of the Denver Mining Club and I will give him your best regards.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer, OME
Region III

HMC/lm

cc Chief, Division of Field Operations, OME
Royalty Corres Idm E29
Royalty Corres Idm E309
Chron

Robt. Kaplan
Govt Claims Sec.
Civil Division
Dept of Justice
Case 187 - Ept 3394

John W. Manley
Trial Sec
Lands Div
187 - 2810

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
1/9/61	GCS	120
	Brown	500
1/10	Talbot	800
1/10	Johnson	110
		HB
		220

JAN 1 0 1961

Memorandum

To: Acting Field Officer, Region III

From: Chief, Division of Field Operations

Subject: DMEA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract Idm-X29
and
DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe and John Mine
San Juan County, Colorado
Contract Idm-X309

On March 6, 1959, in a letter to Mr. Townsend, we listed the statuses of the accounts of the subject contracts. Since that time the Government accepted $100.00 from the Bluebird Mining and Milling Company as a compromise payment "in full" of the $2,055.67 unpaid royalty item under Docket No. DMA-606.

Please continue treating these two contracts as being active under their royalty agreements. Should there ever be any future production within the time limits set forth in the contracts, we probably would look to the Joneses for royalty payments. The judgment against Carl Peterson remains unsatisfied and we would look to him for satisfaction should he ever acquire such assets as to satisfy the judgment.

/s/ George C. Selfridge
(HB)

GCSelfridge/hb (1/9/61)
Copy to: Docket DMEA-606
Docket DMEA-1870
Director's Reading File
Review Committee
G. C. Selfridge
Chron (500)

CA & A Div.

43683

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

JAN 6 · 1961

Memorandum

To: Acting Director, Office of Minerals Exploration

From: Associate Solicitor, Division of Mineral Resources

Subject: 77-13-326
United States v. Carl H. Peterson, Civil No. 6167
and
United States v. U. S. Oil and Development Corp., now
U. S. Metals Corporation, Civil No. 6169
DMEA-606 (Lead-Zinc-Copper)
Henrietta Mine
San Juan County, Colorado
Contract Idm-E29

Your memorandum of November 18, 1960, asks for our comments on future royalty liability of Blue Bird Mining and Milling Company under the subject contract.

A review of the file shows that the contract was executed on June 27, 1951, by the U. S. Oil and Development Corporation, whose articles of incorporation were amended on April 25, 1952, to change its name to U. S. Metals Corporation. A completion period of 6 months was fixed in the contract, but was extended by several subsequent amendments to 54 months, and several suspensions of work were authorize During the contract period, Blue Bird Mining and Milling Company, as owner and lessor of the land subject to the contract, executed several Owner's Consent to Lien, the last being dated September 23, 195 and securing the Government's percentage royalty for a period of 12 years from the date of the contract unless the Operator's obligation was sooner paid.

In terminating the contract, several conferences were held with representatives of DMEA, the United States Attorney's office in Denver, and Carl F. Peterson and Walter F. Falk, officers of U. S.

Metals Corporation. It seems to have been agreed among all concerned that U. S. Metals Corporation owed $2,055.67 in unpaid royalties, plus certain other amounts representing overpayments, price of equipment, etc., and that the Government still had an interest in the unexpended balance of equipment and supplies purchased under the contract. The United States Attorney reported that as a result of these conferences, Mr. Peterson orally offered $7,867.41 "in settlement of the entire matter" (see letter of October 10, 1956, from the Assistant U. S. Attorney to the Department of Justice), and tendered $500.00 as partial payment. The compromise offer was accepted by the Assistant U. S. Attorney by letter to Mr. Peterson dated January 3, 1957, stipulating that the $500.00 partial payments and other payments as received would be applied last to earned royalty. This left unchanged the $2,055.67 in unpaid royalty considered in the settlement figure, although the balance due was reduced to a total of $7,367.41.

After several demands for payment were unsuccessful, suit was filed against Peterson and Falk on August 28, 1958. The complaint alleged that under contracts Idm-E29 and E309, the United States claimed against U. S. Metals Corporation 50% of the salvage value of certain equipment and unexpended supplies, royalties, the purchase price of plaintiff's interest in certain equipment purchased by U. S. Metals Corporation, and certain overpayments made by plaintiff to U. S. Metals Corporation. The complaint further alleged that Peterson and Falk offered to pay $7,857.41 "in settlement of plaintiff's claim against the U. S. Metals Corporation," that the offer was accepted on January 3, 1957, and the $500.00 payment submitted with the offer applied upon the settlement account, that the defendants had failed to pay the balance, and that $7,367.41 was due and unpaid. Judgment for $7,367.41, plus interest and costs, was asked.

In transmitting the $500.00 check of Peterson and Falk to the Solicitor on January 21, 1957, the Assistant U. S. Attorney advised of the settlement and of the application of the payments to be made against the royalty item last. He also wrote: "In this regard, your attention is directed to the fact that such royalties are collectible also from the Blue Bird Mining and Milling Company under the owner's consent to lien executed by that company in connection with the DMEA contract."

Default judgment was entered against Peterson on February 20, 1959, for $8,010.29 in principal and interest, plus costs (the suit was later dismissed as against Falk, without prejudice, on June 18, 1959), but was reported by the Assistant U. S. Attorney to be uncollectible. By letter of March 17, 1959, the Solicitor requested that the Attorney General institute suit for the royalty, $2,055.67, against Blue Bird

Mining and Milling Corporation "under the owner's consent to lien executed by that company in connection with contract Idm-E29".

It appears that On January 20, 1956, the DMEA Executive Officer, Field Team, Region III, wrote to Mr. Charles H. Groves, Attorney, Blue Bird Mining and Milling Company stating that "if the U. S. Metals Corporation fails to pay the amount of $2,055.67 in delinquent royalty due the Government, the Government may look to Blue Bird Mining and Milling Company for the payment" under the Owner's Consent to Lien executed on September 21, 1954. The United States Attorney appears to have asserted a further demand on December 7, 1959, and by letter of January 14, 1960, to the Assistant United States Attorney, on its letterhead and signed for it by Mr. Rex Jones, Blue Bird Mining and Milling Company stated that it had "not had a legal analysis made of our possible liability for the royalties which U. S. Metals Corporation failed to pay the Government", but that "because we do recognize the possibility of such liability and the fact that some expenses may be incurred in any event, it has been decided that we can offer the Government a compromise payment in the amount of $100.00 in full settlement of the claim."

The offer was communicated to this Department for its consideration on March 29, 1960, and on May 13, 1960, the Solicitor wrote to the Attorney General his recommendation that the $100.00 be accepted "for royalties and other sums past due and have the present owners of the claims and other parties in interest who had the authority to make the compromise offer agree to be liable for royalties on any future production from the mining properties for the unexpired term of the project contracts."

The $100.00 offer of Blue Bird Mining and Milling Company was accepted by the United States on November 10, 1960, as a compromise payment "in full." The only offer ever made by Blue Bird Mining and Milling Company is that contained in its letter of January 14, 1960, in which it evaluated its liability for the $2,055.67 demanded for due and unpaid royalties on past production of the now defunct United States Metals Corporation. As to those royalties, Blue Bird Mining and Milling Company's liability, whatever it may have been, is satisfied. The primary liability of United States Metals Corporation, whether or not considered legally merged into the judgment against Carl Peterson, remains unsatisfied, although the Blue Bird Mining and Milling Company payment could conceivably enter into any future accounting which might be made of past due royalties.

This chronology of the administration of the subject contract necessarily duplicates others which appear in your files, but was made so as to be as positive as possible that these matters pertained only to past

transactions and obligations. Except for your memorandum of May 4, 1960, to the Associate Solicitor, and the Solicitor's letter of May 13, 1960, to the Assistant Attorney General, liability for royalties on future production seems not to have been considered. It seems clear, however, that neither the compromise agreement of Carl Peterson, nor the ensuing judgment, nor the settlement with Blue Bird Mining and Milling Company had any effect on the contract itself. The record discloses no modification, amendment or change of any nature in the terms of the contract not reflected in formal amendments, and the contract should be administered accordingly with respect to royalties on production hereafter obtained.

Robert H. McPhillamey
Robert H. McPhillamey
Associate Solicitor
Division of Mineral Resources

Attachment

8488 - 6167

rpm/b

77-13-326

INTERIOR DEPT.

DEC 11 1959

SOLICITOR

December 8, 1959

RECEIVED

DEC 11 1959

ASSOC. SOLICITOR
MINERAL RESOURCES

Department of Justice
Civil Division
Washington 25, D. C.

Attention: George F. Foley, Chief
Government Claims Section

Re: United States v. Carl H. Peterson
Civil Action No. 6167
D.J. No. 77-13-326, GCD:RK

Gentlemen:

Reference is made to the above case in which judgment was entered against Mr. Peterson on February 20, 1959, in the amount of $8,010.29, together with costs in the sum of $37.80 which have been taxed against him. Nothing has been collected on this indebtedness.

Since we are unable to locate any property owned by this debtor against which we could enforce collection by execution, it would appear that the judgment against him is presently uncollectible. We would appreciate it therefore if the Department would authorize our closing the file on the records of this office on the basis of uncollectibility at this time.

In this connection, in accordance with the suggestion in the Department's letter of March 24, 1959, we are directing a demand letter to the Blue Bird Mining and Milling Company for the $2,055.67 royalty portion of this indebtedness, copy of which letter is enclosed for your information. We shall keep you advised of any developments in this matter.

Yours very truly,

DONALD G. BROTZMAN
United States Attorney

By:

RICHARD P. MATSCH
Assistant U. S. Attorney

Enclosure

cc: Department of the Interior, Washington

8488 - 6167
RPM/b

December 7, 1959

CERTIFIED MAIL

Mr. Charles H. Groves
Attorney, Blue Bird Mining and Milling Co.
c/o Colorado Fuel and Iron Company
P. O. Box 1920
Denver 1, Colorado

Re: Docket DMA 506
(Lead-Zinc-Copper)
Contract L-DMA 429
U. S. Metals Corporation,
formerly U. S. Oil and Development
Corporation
Henrietta Mine, San Juan Co., Colorado

Dear Mr. Groves:

Reference is made to letter dated January 20, 1956, from R. M. Traver, Executive Officer, DMEA Field Team, Region III, addressed to you concerning the delinquent royalties under the above-captioned contract, copy of which letter is enclosed.

This matter was referred to this office for the collection of this claim. Persistent efforts have been made to obtain payment of the $2,055.67 in delinquent royalty from the U. S. Metals Corporation but to date no part of this amount has been satisfied.

In this situation we have no alternative but to demand payment of the above amount from you pursuant to the consent to lien referred to in the letter of January 20, 1956.

Yours very truly,

DONALD G. BROTZMAN
United States Attorney

By:

RICHARD P. MATSCH
Assistant U. S. Attorney

Mr. C. H. Peterson

UNITED STATES DEPARTMENT OF JUSTICE

C O P Y

NOTED C.M.S.

NOTED R.H.McP.

UNITED STATES ATTORNEY

In reply refer to
(8488) 6167
(9014) 6169 77-13-326
rpm/b

District of Colorado
348 Post Office Building
DENVER 1, COLORADO

November 10, 1960

INTERIOR DEPT.
NOV 17 1960
SOLICITOR

Files

Department of Justice
Civil Division
Washington 25, D.C.

Attention: George F. Foley, Chief,
Government Claims Section

Department of Minerals by Johnathan Lain

Re: U. S. v. Carl H. Peterson
Civil Action No. 6167; and U. S. v.
U. S. Metals Corporation, formerly
U. S. Oil and Development,
Civil Action No. 6169
D. J. Nos. 77-13-326, 90-1-18-323.

Gentlemen:

Reference is made to the Department's letter of August 31, 1960, authorizing acceptance of the offer of $100.00 made by the Blue Bird Mining and Milling Company in compromise settlement of the government's claim against them.

Please be advised that we have on this date received a remittance in the sum of $100.00 from Mr. Jones of Blue Bird, consummating the settlement in this case, and are transmitting same to the Denver Office of the agency involved, per our letter of this date, copy of which is enclosed.

Our file in the matter is now closed.

Yours very truly,

DONALD G. BROTZMAN
United States Attorney

By: (sgd) Richard P. Matsch
RICHARD P. MATSCH
Assistant U. S. Attorney

FORWARDED TO
Dept of Interior
Asst Solicitor
FOR
Information & File
DEPARTMENT OF JUSTICE
Encl. Civil Division
11-16-60 : RK
(DATE) (INITIALS)

RECEIVED
NOV 18 1960
ASSOC. SOLICITOR
MINERAL RESOURCES

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
11/17	Selfridge	120
"	Johnson	110
		220

NOV 18 1960

Memorandum

To: Associate Solicitor, Division of Mineral Resources

From: Acting Director, Office of Minerals Exploration

Subject: 77-13-326
United States v. Carl H. Peterson, Civil No. 6167
and
United States v. U. S. Oil and Development Corp., now
U. S. Metals Corporation, Civil No. 6169
DMEA-606 (Lead-Zinc-Copper)
Henrietta Mine
San Juan County, Colorado
Contract Idm-E29

R

INTERIOR DEPT.
NOV 18 1960
SOLICITOR

Reference is made to the November 10, 1960, letter from the United States Attorney at Denver to Mr. Hugh M. Connors, Acting Field Officer, OME, Region III, and attachment, and especially to the penultimate paragraph of the May 13, 1960, letter from the Solicitor to Mr. George Cochran Doub, Assistant Attorney General, Department of Justice, Washington 25, D. C.

The November 10 letter does not discuss the compromise. The attachment to the letter is marked "in full." The photostat of the check indicates, although supposedly defunct, that the Blue Bird Mining and Milling Company is operating as such. Considering the Owner's Consent to Lien executed on September 23, 1954, by the Blue Bird Mining and Development Company and the November 10, 1960, letter and attachment, we are not sure just what the future royalty liability under the contract is. May we have your comment.

(signed) FRANK E. JOHNSON

(pl)

GCSelfridge/fw-11/17/60
cc: Docket
Director's Reading File
Director's file
F.E.Johnson
G.C.Selfridge
E.Dallas Talbert
Chron.

43683

United States Department of Justice

IN REPLY REFER TO
(8488) 6167
(9014) 6169
rpm/b

UNITED STATES ATTORNEY
DISTRICT OF COLORADO
348 POST OFFICE BUILDING
DENVER 1, COLORADO

MAILING ADDRESS
P. O. BOX 1776
TELEPHONE KE 4-4151
EXT. 541

November 10, 1960

Mr. Hugh M. Connors
Acting Field Officer, OME
Region III
Department of the Interior
Building No. 20
Denver Federal Center
Denver 2, Colorado

OME
DEPARTMENT OF THE INTERIOR
NOV 14 1960
REGION III
DENVER, COLORADO

Re: U. S. v. Carl H. Peterson,
Civil No. 6167 - DJ 77-13-326;
U. S. v. U. S. Metals Corp., formerly
U. S. Oil and Development,
Civil No. 6169 - DJ 90-1-18-323;
Your file: Docket DMA 606
(Lead-Zinc-Copper)
Contract I-DMA E-29
Henrietta Mine, San Juan Co., Colorado

Dear Mr. Connors:

Reference is made to telephone conversation with your office this afternoon in the above matter.

In accordance with your request, I am attaching hereto certified check made payable to the Treasurer of the United States in the sum of $100.00, covered by official receipt No. 202864, representing compromise offer accepted by the Department of Justice in settlement of the government's claim against the Blue Bird Mining & Milling Company, in their letter of August 31, 1960.

I understand that you will forward the money to the Department of the Interior in Washington.

Yours very truly,

DONALD G. BROTZMAN
United States Attorney

By: Richard P. Matsch

RICHARD P. MATSCH
Assistant U. S. Attorney

cc: Department of the Interior
Washington 25, D. C.
Attn: Solicitor

NATIONAL CITY BANK OF DENVER

NOV 10 1960 #18094

CERTIFIED $100 AND 00 CTS GOOD WHEN PROPERLY ENDORSED

No. N 1286

M. REX OR NAOMI H. JONES
126 SOUTH CLARKSON RA. 2-1041
DENVER 9, COLORADO

23-68
1020

For Blue Bird
Mining & Milling Co.

DENVER, COLORADO November 10 1960

PAY TO THE ORDER OF TREASURER OF THE UNITED STATES $100.00

ONE HUNDRED & NO/100 - DOLLARS

THE NATIONAL CITY BANK DENVER, COLORADO

The NATIONAL CITY BANK of DENVER
DENVER, COLORADO

141-207-4

Receipt No. 202864

Form No. USA-200
(Rev. 3-3-58)
Form approved by
Comp. Gen., U. S.

DEPARTMENT OF JUSTICE

Office of United States Attorney
District of COLORADO

(CHECKS ACCEPTED SUBJECT TO COLLECTION)

Claim Against
BLUE BIRD MINING & MILLING CO. (owner and lessor)
(U.S. Metals Corp. case) Henrietta Mine, San Juan County, Colo.
(Carl H. Peterson case)

U. S. Attorney's File No. (8-88) (9014)
Ct Docket No. 6167 6169

Amount Received
ONE HUNDRED DOLLARS ($ 100.00)

From Blue Bird Mng. Check No. 11866 Court, on Natl. City Bk of Denver, Colo.

Agency & File No. Dept. of Interior, IMMA - IMA-606
Contract No. Ind-829

Offer accepted in compromise settlement of government's claim against Blue Bird Mining & Milling Co. in connection with IMMA contract, per DJ ltr 8-31-60.

Type Claim IMMA contract owner's consent to lien executed by Blue Bird under contract

Amt. of Claim 2,055.67

DJ File No. 77-13-326 Govt. Cls. Section

(XX) Pre-judgment
( ) Judgment
(XX) Compromise in full
( ) Paid in full
( ) Partial Pay No.

Date Payment Received
November 10, 1960

By Helen Barba for UNITED STATES ATTORNEY

Duplicate — With Remittance

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
Building 20 - Federal Center
Denver 25, Colorado

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 24 1960

DATE	INITIALS	CODE
8-24	gad	220
"	JEJ	110
"	BEB	800
8/25	gla	500
		225

August 22, 1960

Memorandum

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

From: Hugh M. Connors, Acting Field Officer, OME, Region III

Subject: Report of Certified Project for the period
January 1, 1959 - December 31, 1959
Docket No. DMEA 606 (Lead-Zinc)
Contract No. Idm E29
U. S. Metals Corp., Assignee
(Henrietta mine)
San Juan County, Colorado

Enclosed are the original and two copies of the subject report.

Hugh M. Connors

Hugh M. Connors

Attachments

OFFICIAL FILE COPY O. M. E. RECEIVED AUG 24 1960		
DATE	INITIALS	CODE
8-24	gad	220
		110
		800
		500

OFFICE OF MINERALS EXPLORATION

REGION III

Statement in Lieu of Interim Report
of Certified Project

Reporting Period January 1, 1959 -- December 31, ~~1959~~

Docket and Contract Number DMEA-606 Idm E29

Operator U. S. Metals Corp., Assignee (Lead-Zinc)
(Henrietta mine) San Juan County, Colorado

The project has been inactive during the reporting period [X]

Pertinent data relative to the subject contract has remained unchanged since the last report [ ]

Remarks:

The Blue Bird Mining and Milling Company, the lessor, in a letter to Mr. Richard P. Matsch, Assistant U. S. Attorney, dated January 14, 1960, states; "the properties have not been operated since 1954."

Signed T. M. Romslo
T. M. Romslo

Date 8-19-60

In reply refer to: 77[illegible]3-326

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

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 16 1960

DATE	INITIALS	CODE
5-16	gad	220
5/16	[illegible]	800
"	Discussed	500
MAY 13 1960		225

Mr. George Cochran Doub
Assistant Attorney General
Department of Justice
Washington 25, D. C.

Re: United States v. Carl H. Peterson
Civil No. 6167, and United States v.
U. S. Oil and Development Corp., now
U. S. Metals Corp., Civil No. 6169

Dear Mr. Doub:

The Acting Assistant Attorney General, Civil Division, by letter of March 29, requested our views concerning the disposition of the claims against the United States Metals Corporation and the Blue Bird Mining and Milling Company reflected in the judgment in the above-entitled proceedings under DMEA Contracts Idm-E29 (Docket No. DMEA-606) and Idm-E309 (Docket No. DMEA-1870) with the Defense Minerals Exploration Administration, whose contracts are now administered by the Office of Minerals Exploration. Your reference number is GSL:RK-77-13-326.

It is stated in a letter dated February 17 from the United States Attorney, Denver, Colorado, that the claim against Mr. Peterson is uncollectible; that the above corporations are defunct and that there is no chance of collecting from them the claims in question. In the circumstances, the United States Attorney requests authority to close the files in these cases. However, the Blue Bird Mining and Milling Company in a letter of January 14 to the Assistant United States Attorney has offered to pay $100.00 in full settlement of the claim against that company.

There is enclosed for your information a copy of a memorandum dated May 4 from the Acting Director, Office of Minerals Exploration, to this office concerning the claims in question. In that memorandum, it is suggested that you might wish to effect a compromise by accepting the $100.00 for royalties and other sums past due and

have the present owners of the claims and other parties in interest who had the authority to make the compromise offer agree to be liable for royalties on any future production from the mining properties for the unexpired terms of the project contracts. We concur in this recommendation.

Should you adopt a contrary view and decide that further prosecution of the claims will not be in the public interest, we will abide by your decision in the matter and furnish such assistance as you may request.

Sincerely yours,

George W. Abbott

George W. Abbott
Solicitor

Enclosure

JMHernon/jfg-5/11/60

CC: Secretary's Files
Solicitor's Docket
Acting Director, OMK - Rm. 4460
Mr. Selfridge - Rm 4459
Mr. Soller
Mr. Hofflund
Mr. Hernon

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
5/3	Selfridge	120
		110
		220

MAY 4 1960

Memorandum

To: Associate Solicitor, Division of Mineral Resources

From: Acting Director, Office of Minerals Exploration

Subject: 77-13-326
United States v. Carl H. Peterson, Civil No. 6167
and
United States v. U. S. Oil and Development Corp., now
U. S. Metals Corporation, Civil No. 6169
DMEA-606 (Lead-Zinc-Copper)
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

Reference is made to your memorandum of April 22, 1960, subject above. The case was referred to the Attorney General on April 2, 1956. In the letter of referral mention was made that in addition to other sums $2,055.67 in back royalties was due on ore production from lands leased to the Operator by the Blue Bird Mining and Milling Company, c/o Charles H. Groves, Attorney, Colorado Fuel and Iron Company, Post Office Box 1920, Denver 1, Colorado, which signed a document titled "Owner's Consent to Lien." It was suggested that the Attorney General might wish to consider the matter of collecting not to exceed $2,055.67 by exercising the Government's lien provided for in the Owner's Consent to Lien.

On February 26, 1959, the United States Attorney at Denver informed the Washirgton Office of the Department of Justice that a default judgment was entered in the case against the defendant, Carl H. Peterson, on February 20, 1959, in the amount of $8,010.29, and that costs in the sum of $37.80 would be taxed against him. In addition, the letter stated that, in order to protect the Government's interest should Mr. Peterson acquire any property at some future time, a transcript of the judgment was being filed with the County Clerk and Recorder in Denver.

Subsequently, the royalty matter was taken up with representatives of the Blue Bird Mining and Milling Company, which in a letter to Mr. Richard P. Matsch, Assistant United States Attorney, dated January 14, 1960, offered the Government a compromise payment in the amount of $100.00 in full settlement of the claim. The offer seemingly applied only to the $2,055.67.

43683

From recent conversations with your office, we understand that acceptance of the $100.00 offer not only cancels the past royalties due but also any claim that the Government might have on royalties from future production from the subject land within the time limits of the contracts. Neither the DMEA Administrator nor the OME Director have ever had the authority to cancel a certification entitling the Government royalty on production from the land in an exploration contract. I believe that past procedure is well explained in the Operating Committee letter of March 6, 1959, to Mr. J. W. Townsend, Executive Officer, OME Field Team, Region III, the last two paragraphs of which are as follows:

> "Files on claims referred to the Department of Justice are closed as uncollectible only upon advice from the Attorney General to that effect. Even though such advice should be received on the subject claim, the project accounts may not be closed until the maximum periods for royalty payment and liens for payment thereof, provided for in the contracts, expires or the net amounts contributed by the Government have been repaid.
>
> "The present status ..... Payments, if any, resulting from the judgment will either reduce the above net Government contributions or increase the royalty payments, thereby reducing the balance repayable by royalty on any future production from the subordinated land under the contracts."

In a letter of February 17, 1960, from Donald G. Bretzman, United States Attorney, to the Washington Office of the Department of Justice, mention is made that authorization to close the file as uncollectible was given relating to the judgment for $8,048.09 against Mr. Carl H. Peterson.

The history of the Blue Bird Mining and Milling Company is also given in this letter, and it is pointed out that the Corporation's term of existence had already expired at the time of the signing of the Owner's Consent to Lien. The next paragraph states:

> "Under these circumstances it does not appear to us that we have an enforceable claim against Blue Bird Mining and Milling Company. Please advise as to what reply we should make to the offer in compromise."

The last paragraph of the letter follows:

> "In this connection, we have also checked the records of the Colorado Secretary of State with reference to U. S. Metals Corporation and have found that the corporation was declared defunct in September 1958. Therefore, we do not

believe that there is any chance of collecting the judgment against the U. S. Metals Corporation, which judgment was entered April 3, 1959, in the sum of $1,101.95, together with court costs of $37.80. Accordingly, we request authority to close our files on Blue Bird Mining & Milling Company and U. S. Metals Corporation as presently uncollectible."

The date of April 3, 1959, and the sum of $1,101.95 are not clear to us. What would interest us most at this time is to know the status of the land because of possible future production therefrom. Seemingly, it is still held by the company or by individuals who are acting for the defunct company. The Owner's Consent to Lien, which has the Blue Bird Mining and Milling Company seal on it, provides that the agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the undersigned. Regarding the penultimate paragraph of the February 17, 1960, letter mentioned above, would't it be logical to offer as a compromise that we accept the $100.00 for back royalties and other sums and have the present landholder or holders, who seemingly have the authority to offer the $100.00, agree to be liable for royalties on any future production which may take place within the remaining life of the contracts. Otherwise, it would seem that only the Attorney General could make the decision that past royalties and other sums and any future royalties are and would be uncollectible because of the status of both the companies involved and Peterson.

(signed) FRANK E. JOHNSON (hb)

Acting Director

Attachment

GCSelfridge/hb (5/3/60)
Copy to: Director's File
Director's Reading File
Frank E. Johnson
G. C. Selfridge
E. Dallas Talbert
Docket ✓

In reply refer
to: 77-13-326

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

DOCKET COPY

April 22, 1960

Memorandum

To: Acting Director
Office of Minerals Exploration

From: Associate Solicitor
Division of Mineral Resources

Subject: United States v. Carl H. Peterson, Civil No. 6167, and United States v. U. S. Oil and Development Corp., now U. S. Metals Corporation. Civil No. 6169
Docket No. DMEA-606 (Lead-Zinc-Copper)
Contract No. Idm-29
Henrietta Mine
San Juan County, Colorado

Attached is a copy of a letter dated March 29, from the Chief, Government Claims Section, Department of Justice, with enclosures, concerning the above entitled case. You will note that the Attorney General desires an expression of our views in respect to an offer by the Bird Mining and Milling Company to settle this case. May we have your comments.

We will be glad to discuss this matter if you desire.

Charles M. Zeller
Associate Solicitor
Division of Mineral Resources

Attachment

GGL:RK
77-13-326

wll

MAR 29 1960

Department of the Interior
Washington 25, D. C.

Attention: The Solicitor

Re: United States v. Carl H. Peterson,
Civil No. 6167, and United States v.
U. S. Oil and Development Corp., now
U. S. Metals Corporation, Civil No. 6169.

Dear Sir:

This refers to letter of February 17, 1960, from the United States Attorney to the Department, a copy of which was apparently forwarded by the United States Attorney to you. An extra copy of said letter, as well as of its enclosure, a letter addressed to the United States Attorney by Bird Mining & Milling Company, is enclosed.

An expression of your views regarding the offer in compromise made by Bird Mining & Milling Company will be appreciated.

Yours very truly,

GEO. S. LEONARD
Acting Assistant Attorney General
Civil Division

By:
George F. Foley
Chief, Government Claims Section

Enclosures

Blue Bird Mining & Milling Company

MAIN OFFICE

[redacted]

Denver, Colorado

124 South Clarkson Street
RAce 2-1043

January 14, 1960

CERTIFIED MAIL

Mr. Richard P. Matsch
Assistant U. S. Attorney
348 Post Office Building
Denver 1, Colorado

Re: Docket DMA 606 (Lead-Zinc-Copper)
Contract I-DMA 829
U. S. Metals Corporation, formerly
U. S. Oil & Development Corp.
Henrietta Mine, San Juan Co., Colo.

Dear Mr. Matsch:

This letter is in reference to yours of December 7, 1959 addressed to Charles H. Groves, as attorney for Blue Bird Mining and Milling Company, and to my telephone conversation with you on December 16, 1960 on the same subject.

As I stated to you at that time, the properties have not been operated since 1954. It would seem from present adverse conditions, including the low price of metals, that the will not be operated in the foreseeable future. Certainly, we are not in any position to operate them.

We have not had a legal analysis made of our possible liability for the royalties which U. S. Metals Corporation failed to pay the Government, and realize it might involve a substantial cost to have such an analysis made. Because we do realize the possibility of such liability and the fact that some expenses may be incurred in any event, it has been decided that we can offer the Government a compromise payment in the amount of $150.00 in full settlement of the claim.

We recognize that this seems like a small offer as compared with the full amount of the claim, but we hope that all the above circumstances will be taken into consideration. Also, we feel that it was not our fault that the royalties were not collected by direct payment from mills or smelters, as Blue Bird Mining and Milling Company had no inkling they had not been paid by U. S. Metals Corporation, as obligated, until receipt of a letter to that effect from Mr. W. M. Traver, Executive Officer, DMEA, Field Team, Region III, under date of January 20, 1956.

Your advice as to whether or not the above offer is acceptable will be appreciated.

Very truly yours,

BLUE BIRD MINING AND MILLING COMPANY

By:

MHJ/mj
In duplicate

8488 - 6167
RPM/b

February 17, 1960

OFFICIAL FILE COPY
O. M. E.
RECEIVED FEB 29 1960

DATE	INITIALS	CODE
2-29	gad	220
2/29	[illegible]	800
[illegible]	[illegible]	500
[illegible]	[illegible]	221

(COPY)

Department of Justice
Civil Division
Washington 25, D. C.

Attention: George F. Foley, Chief
Government Claims Section

Re: United States v. Carl H. Peterson
Civil Action No. 6167
D.J. No. 77-13-326, GCD:RK; and
United States v. U. S. Oil and Development Corp., now U. S. Metals Corporation,
Civil Action No. 6169
D.J. No. 90-1-18-323, REM:JWM

Gentlemen:

Reference is made to the above case in which judgment was entered against Mr. Carl R. Peterson, Civil No. 6167, on February 20, 1959, in the amount of $8,010.29, together with court costs in the amount of $37.80. Nothing was collected on this judgment; and by letter of December 21, 1959, you authorized closing of the file as uncollectible as to Mr. Peterson.

Reference is also made to our letter of December 8, 1959, advising that in accordance with the Department's suggestion in their letter of March 24, 1959, we sent a demand letter to Blue Bird Mining & Milling Company for the $2,055.67 royalty portion of the indebtedness reflected in the above judgment. This demand was based upon a consent to lien by Blue Bird dated March 13, 1954, which was one of the documents executed in connection with the exploration contract. In response to our demand, Blue Bird wrote to us offering the payment of $100.00 in full settlement of the claim. A copy of their reply is enclosed herewith.

We have also discussed this matter with Mr. Jones, the author of the enclosed letter, and he advised that Blue Bird is a defunct corporation. We then checked the records in the Office of the Secretary of State of the State of Colorado. This examination revealed that Blue Bird Mining & Milling Company was incorporated on August 4, 1932, for a twenty-year term of existence. Its term of existence expired in 1952 without renewal. In addition, the company was declared defunct and inoperative in 1938 for failure to file annual reports. You will note, therefore, that the corporation's term of existence had already expired at the time of the signing of the aforementioned consent to lien.

Department of Justice

February 17, 1960

Under these circumstances it does not appear to us that we have an enforceable claim against Blue Bird Mining & Milling Company. Please advise as to what reply we should make to the offer in compromise.

In this connection, we have also checked the records of the Colorado Secretary of State with reference to U. S. Metals Corporation and have found that the corporation was declared defunct in September 1958. Therefore, we do not believe that there is any chance of collecting the judgment against the U. S. Metals Corporation, which judgment was entered April 3, 1959, in the sum of $1,101.95, together with court costs of $37.80. Accordingly, we request authority to close our files on Blue Bird Mining & Milling Company and U. S. Metals Corporation as presently uncollectible.

Yours very truly,

DONALD G. BROTZMAN
United States Attorney

By:

RICHARD P. MATSCH
Assistant U. S. Attorney

Enclosure

cc: Department of Justice
Lands Division
Washington 25, D. C., Attn: Robt E. Mulroney, Chief, Trial Section

Department of the Interior
Washington 25, D.C. Attn: Solicitor

Mr. J. W. Townsend
Executive Officer, Office of Minerals Exploration
Building 20, Denver Federal Center
Denver 25, Colorado

COPY

OFFICIAL FILE COPY
O. M. E.
RECEIVED FEB 29 1960

DATE	INITIALS	CODE

Blue Bird Mining & Milling Company
Main Office
Denver, Colorado

128 South Clarkson Street
RAce 2-1041

January 14, 1960

CERTIFIED MAIL

Mr. Richard F. Matsch
Assistant U. S. Attorney
348 Post Office Building
Denver 1, Colorado

Re: Docket DMA 606 (Lead-Zinc-Copper)
Contract I-DMA E29
U. S. Metals Corporation, formerly
U. S. Oil & Development Corp.
Henrietta Mine, San Juan Co., Colo.

Dear Mr. Matsch:

This letter is in reference to yours of December 7, 1959 addressed to Charles H. Groves, as attorney for Blue Bird Mining and Milling Company, and to my telephone conversation with you on December 16, 1969 on the same subject.

As I stated to you at that time, the properties have not been operated since 1954. It would seem from present adverse conditions, including the low price of metals, that the will not be operated in the foreseeable future. Certainly, we are not in any position to operate them.

We have not had a legal analysis made of our possible liability for the royalties which U. S. Metals Corporation failed to pay the Government, and realize it might involve a substantial cost to have such an analysis made. Because we do realize the possibility of such liability and the fact that some expenses may be incurred in any event, it has been decided that we can offer the Government a compromise payment in the amount of $100.00 in full settlement of the claim.

We recognize that this seems like a small offer as compared with the full amount of the claim, but we hope that all the above circumstances will be taken into consideration. Also, we feel that it was not our fault that the royalties were not collected by direct payment from mills or smelters, as Blue Bird Mining and Milling Company had no inkling they had not been paid by U. S. Metals Corporation, as obligated, until receipt of a letter to that effect from Mr. W. M. Traver, Executive Officer, DMEA, Field Team, Region III, under date of January 20, 1956.

Your advice as to whether or not the above offer is acceptable will be appreciated.

Very truly yours,

BLUE BIRD MINING and MILLING COMPANY
By: s/s N Rex Jones

MRJ:nj(ms)
In duplicate

OME
DEPARTMENT OF THE INTERIOR
SEP 22 1959
REGION III
DENVER, COLORADO

OFFICIAL FILE COPY O. M. E. RECEIVED OCT 2 1959		
DATE	INITIALS	CODE
10/2	RCW	225
10/2	[illegible]	800
10/2	[illegible]	500
		225

8488 - 6167
rpm/b

Chairman (2)

September 21, 1959

Department of Justice
Civil Division
Washington 25, D. C.

DMEA-606
E-29
U.S. Metals

Attention: George F. Foley, Chief,
Government Claims Section

Re: United States v. Carl H. Peterson and
Walter A. Falk - Civil Action No. 6167
D. J. No. 77-13-326, CCD:RK

Gentlemen:

In accordance with the authority contained in the Department's letter of March 4, 1959, the action and complaint as against Walter A. Falk was dismissed in the above case on June 19, 1959. Copies of motion and order are attached for the Department's file.

Yours very truly,

DONALD G. BROTZMAN
United States Attorney

By:

RICHARD P. MATSCH
Assistant U. S. Attorney

Enclosure

cc: J. W. Townsend, Executive Officer, OME
Field Team, Region III, Denver, Colorado

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

THE UNITED STATES OF AMERICA, Plaintiff, v. CARL E. PETERSON and WALTER A. FALK, Defendants.	)	CIVIL NO. 6167 MOTION TO DISMISS WITHOUT PREJUDICE

COMES NOW the plaintiff by its attorneys, DONALD E. KELLEY, United States Attorney for the District of Colorado, and ROBERT S. WHAM, Assistant United States Attorney for the District of Colorado, and moves this Court for an Order dismissing the above-entitled matter without prejudice, as to the defendant WALTER A. FALK, only, the reasons therefor being that the United States Marshal has been unable to locate said defendant to serve him within the Court's jurisdiction, and it has been impossible to ascertain said defendant's present whereabouts.

Dated this 19 day of June, 1959.

DONALD E. KELLEY
United States Attorney for the
District of Colorado

ROBERT S. WHAM
Asst. U. S. Attorney for the
District of Colorado

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

THE UNITED STATES OF AMERICA, Plaintiff, v. CARL H. PETERSON and WALTER A. FALK, Defendants.	CIVIL NO. 6167 ORDER OF DISMISSAL WITHOUT PREJUDICE

This matter coming on for dismissal on the motion of the United States of America,

IT IS ORDERED that the above-entitled action and complaint be dismissed as to the defendant WALTER A. FALK only, without prejudice.

Dated at Denver, Colorado this 19 day of June, 1959.

/s/ Alfred A. Arraj

United States District Judge

Chairman (2)

OFFICIAL FILE COPY
O. M. E.
RECEIVED DEC 21 1959

DATE	INITIALS	CODE
12/21	RCW	225
"	RCF	0
12/22	[illegible]	500
12/28	[illegible]	225
		120
		120
		225

THE DENVER POST
Wed., Dec. 16, 1959 29

Denver Mining Promoter Jailed on Mail Fraud Charges

A Denver mining promoter is being held in Denver County jail on charges he and a partner bilked investors out of "several hundred thousand dollars" in the sale of worthless mining interests.

The man, Carl F. Peterson, 72, 4307 Tejon St., was arrested by Denver police Friday at the request of U.S. postal inspectors who said he is wanted for 18 counts of mail fraud and violation of federal securities regulations.

Peterson and Walter A. Falk, 65, Van Nuys, Calif., were indicted by a Federal Grand Jury in Los Angeles on March 18. The indictment was kept secret until both men were located. Falk was arrested Friday in California.

The indictment said Falk was an "authorized practitioner of a religious faith" and that most of the allegedly worthless securities were sold to members of his faith.

The two men were charged with selling fractional interests in mining properties in Colorado, Utah and Wyoming through false promises and misrepresentations.

SALES CAMPAIGN

The sales campaign used by the two "was skillfully and cleverly calculated to arouse in investors hopes and expectations of profits and security far beyond limits warranted by existing conditions," the indictment said.

The two men allegedly told prospective stock purchasers that their success was the result of their religious faith and both were rich men with incomes up to $1,000 a day.

Peterson has been unable to raise the $25,000 bond set by U.S. Commissioner Harold Oakes.

The two were enjoined by Denver U.S. District Court in July 1952, from making illegal securities sales through the use of untrue statements.

No date has been set for a removal hearing to determine if Peterson should be returned to California to face trial on the fraud charges.

Remarks - Peterson and Falk are named in the action pending in the U. S. Attorney's Office, Denver, Colo., to obtain payment of money due the Government in connection with DMEA Contract Idm-E29, Docket No. 606, and Contract Idm-E309, Docket No. 1870, U. S. Metals Corporation, San Juan County, Colorado.

In reply refer to: 77-13-326

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

12/15/59

Memorandum

To: Acting Director
Office of Minerals Exploration

From: Acting Associate Solicitor
Division of Mineral Resources

Subject: Docket No. DMEA-606 (Lead-Zinc-Copper)
Contract No. Idm-29
United States Metals Corporation
Henrietta Mine
San Juan County, Colorado

Attached are copies of two letters from the United States Attorney, Denver, Colorado, to the Department of Justice and to Blue Bird Mining and Milling Company, regarding the above named contract. You will note that he requests that the file, as far as the judgement against Carl F. Peterson is concerned, be closed as uncollectible, and that an attempt be made to collect the amount due as royalty from the Blue Bird Mining and Milling Company.

At the present time there is nothing further that need be done by this Department.

J. L. Hofflund

J. L. Hofflund

1/4/60 attachments not rec'd.
amalley

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
224 New Customhouse
Denver 2, Colorado

June 15, 1959

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUN 18 1959

DATE	INITIALS	CODE
6/17	[illegible]	220
6/18	[illegible]	500
		225

Memorandum

To: Chairman, Operating Committee, OME

From: Executive Officer, OME Field Team, Region III

Subject: Docket DMEA 606 (Lead-Zinc) Contract Idm-E29, U. S. Metals Corporation (Henrietta Mine) San Juan County, Colorado

and

Docket DMEA 1870 (Lead-Zinc) Contract Idm-E309, U. S. Metals Corporation (Joe and John Mine) San Juan County, Colorado

As advised in your undated letter regarding the two subject contracts, which was received in this office June 15, 1959, we are removing the two contracts from our records of contracts pending closing procedures.

J. W. Townsend

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
6-10	Arianne	500
6/10	Talbot	800
6/12	[illegible]	130
"	[illegible]	110
		~~400~~
6/15	[illegible]	220
		500

JUN 12 1959

500

Memorandum

To: Executive Officer, OME Field Team, Region III

From: Chairman, Operating Committee

Subject: Docket No. DMEA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

and

Docket No. DMEA-1870(Lead-Zinc)
U. S. Metals Corporation
Joe and John Mine
San Juan County, Colorado
Contract No. Idm-E309

We observe that in your monthly reports the two cited projects are noted "the Field Team's final report is considered tentative . . . .". We see no reason why you cannot close your books on these two dockets. Legal actions may be long drawn out and, in no event, could have any bearing on the salient technical features contained in the final report submitted by the Field Team.

/s/ George C. Selfridge (FHB)

APPROVED:

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

Harold Kirkemo (FHB)
Member, Geological Survey

WRGriswold/er 6-10-59
Copy to: Docket (2)
Dir Read File
Op. Committee
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

43683

606

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

Address Reply to the Division Indicated and Refer to Initials and Number
GDeJR
77-13-286

INTERIOR DEPT.
MAR 25 1959
X SOLICITOR

RECEIVED
MAR 2 1959
SOLICITOR
NATURAL RESOURCES

OFFICIAL FILE COPY
O M E
RECEIVED MAR 27 1959
DATE
3/27

Donald R. Kelley, Esquire
United States Attorney
Denver 1, Colorado

Re: United States v. Carl E. Peterson and Walter A. Polk—Civil Action No. 6487
DJ: 77-13-286

Dear Mr. Kelley:

This refers to our letter of March 4, 1959, relating to the above case.

There is enclosed a copy of a self-explanatory letter dated March 17, 1959 received from the Department of the Interior.

In our letter of March 4, 1959, we requested your views as to the advisability of proceeding against Bluebird Mining and Milling Company under the owner's consent to lien executed by them in connection with the BMM contract. In accordance with the suggestion of the Department of the Interior in the enclosed letter, it will be appreciated if you will take appropriate action to collect the $2,855.67 royalty portion of the indebtedness from the Bluebird Mining and Milling Company.

Please keep the Department informed of developments.

Yours very truly,

[illegible]
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

Enclosure

cc: Department of the Interior
Washington 25, D. C.
Attention: Office of the Solicitor

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

MAR 17 1959

Talbert
Chambers
Trained
Selfridge
Johnson
J. Lynch
Hoffman

Mr. George Cochran Doub
Assistant Attorney General
Civil Division
Department of Justice
Washington 25, D. C.

Dear Mr. Doub:

Reference is made to your letter (file reference GCD:RK 77-13-326) transmitting a copy of a letter dated February 26, 1959, from the United States Attorney, Denver, Colorado, together with a copy each of the Affidavit for Default Judgment, Default Judgment and Bill of Costs, in the case of U. S. Metals Corporation for certain indebtedness under contracts Idm-F29 and Idm-F309, Docket Nos. DMA-606 and DMEA-1870, respectively.

The Department of the Interior has no information as to the present whereabouts of Walter A. Falk. Accordingly, we concur with the dismissal of the complaint as to Mr. Falk, without prejudice, for failure of service.

Inasmuch as Mr. Peterson apparently has no property and satisfaction of the judgment is improbable in the near future, the Department of Justice is requested to take appropriate action to collect the $2,055.67 royalty portion of the indebtedness from the Blue Bird Mining and Milling Company under the owner's consent to lien executed by that company in connection with contract Idm-F29. Such action was suggested in the ~~penultimate~~ next to last paragraph of our April 2, 1956, letter to the Attorney General and the January 21, 1957, letter to this Department from the United States Attorney, Denver, Colorado.

Sincerely yours,

George W. Abbott

Solicitor

EDTalbert/ama
March 11, 1959

Copy to: Solicitor's Docket (2)
OME Docket (2) (DMA-606, DMEA-1870)
Director's Reading File, OME
OME Field Team, Region III
J. L. Chambers, OME
R. P. Dwyer

22A New Customhouse
Denver 2, Colorado

March 9, 1959

EXTRA COPY
O. R. E.
RECEIVED MAR 11 1959
DATE | INITIALS | CODE
225

Memorandum

To: Chairman, Operating Committee, OME

From: Executive Officer, OME Field Team, Region III

Subject: U. S. Metals Corporation - Docket No. DMA-606 (Lead-Zinc)
Contract No. Idm-E29 (Henrietta mine) San Juan County, Colorado
and
Docket No. DMEA-1870 (Lead-Zinc-Copper) Contract No. Idm-E309
(Joe and John mine) San Juan County, Colorado

In reference to your letter of March 6, 1959, replying to my memorandum of February 27, it is apparent that I failed to make my meaning clear in reference to closing our active files on the subject accounts.

I did not intend to give the impression that I desired to close the accounts to the extent of canceling the Operator's indebtedness to the Government.

Since final payment to the Operator has not been made in the usual manner on the basis of a final audit by the Contract Administration and Audit Division, and since the Field Team Final Summary Report has not been rendered in the usual manner, we have been maintaining the two accounts in our reports and active file of contracts on which closing procedures have not been resolved.

I realize now how my expressed desire to close the accounts confused the issue. However, I am glad to obtain the balances due, which were supplied in your letter of March 6, 1959, as the records in the Finance Office, Region III, do not contain the amounts added as interest and court costs. I imagine that they will be advised of the increased amounts through appropriate channels.

Original signed by
J. W. TOWNSEND

J. W. Townsend

JWT:jy
cc: Finance Office, Reg. III
Roy. File E29
Roy. File E309
Corres. File E29
Corres. File E309
Cooper (2)
Chron.

w/copy of Chm's. ltr. of 3/6/59

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
3/3	Talbot	800
3-3	Chambers	800
	Brand	500
		~~500~~
3/6	GCS	130
"	Johnson	100
3/8	C	220

295

MAR 6 1959

Mr. J. W. Townsend
Executive Officer
OME Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Re: U. S. Metals Corporation
Docket No. DMA-606 (Lead-Zinc), Contract No. Idm-E29
Henrietta Mine, San Juan County, Colorado
and
Docket No. DMEA-1870 (Lead-Zinc-Copper)
Contract No. Idm-E309
Joe and John Mine, San Juan County, Colorado

Dear Mr. Townsend:

Reference is made to your memorandum of February 27, 1959, enclosing copies of the Judgment by Default and other documents and correspondence relative to the claim for reimbursement under the referenced contracts. Your memorandum expresses a desire to close the project accounts and requests advice in the matter.

No justification is apparent for closing the accounts. In his letter of February 26, 1959, to the Civil Division of the Department of Justice, the U. S. Attorney states that he is filing a transcript of the judgment with the County Clerk and Recorder and also is attempting to arrange for collection of the amount due, which consists of the following:

	DMA-606 (E29)	DMEA-1870 (E309)	Total
Overpayments, etc.	$4,677.78	$633.96	$5,311.74
Royalties	2,055.67	-0-	2,055.67
Claimed	$6,733.45	$633.96	7,367.41
Interest			642.88
Amount of Judgment			8,010.29
Bill of Court Costs			37.80
Total Amount			$8,048.09

8623

Files on claims referred to the Department of Justice are closed as uncollectible only upon advice from the Attorney General to that effect. Even though such advice should be received on the subject claim, the project accounts may not be closed until the maximum periods for royalty payment and liens for payment thereof, provided for in the contracts, expires or the net amounts contributed by the Government have been repaid.

The present status of these accounts is as follows:

	DNA-404 (X29)	DNA-1870 (X309)
Royalty Expiration Date	June 27, 1965	May 1, 1965
Net Government Contribution	$41,240.31	$1,808.42
Royalty Payments	1,522.70	-0-
Repayable Balance	$39,717.61	$1,808.42

Payments, if any, resulting from the judgment will either reduce the above net Government contributions or increase the royalty payments, thereby reducing the balance repayable by royalty on any future production from the subordinated land under the contracts.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (GCS)

APPROVED:

H. G. Iverson (GCS)

Member, Bureau of Mines

N. E. Nelson (GCS)

Member, Geological Survey

EDTalbert/GMcC
March 3, 1959

cc: Dockets
Director's Reading File
Operating Committee
THKiilsgaard
OMBishop
Mr. Chambers
Mr. Donald T. Finch, OME Auditor

rlw

GCD:RK
77-13-326

606

Department of the Interior
Washington 25, D. C.

MAR 4 1959

Attention: Solicitor

Re: United States v. Carl H. Peterson and Walter A. Falk - Civil Action No. 6167
Mineral exploration contract.

Dear Sirs:

With further reference to the above case there is enclosed a copy of a self-explanatory letter dated February 26, 1959, together with Affidavit for Default Judgment, Judgment by Default, and Bill of Costs therein referred to.

Since the United States Attorney advises that he has been unable to effect service on Mr. Falk in his District, we are authorizing him to dismiss the suit as to Mr. Falk without prejudice. It will be appreciated if your agency will advise whether you have or are able to obtain any information as to the present whereabouts of Mr. Falk.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

official
~~EXTRA~~ COPY
O. M. E.
RECEIVED MAR 10 1959

DATE	INITIALS	CODE
3/10	C	220
		225

Enclosure

5488 - 6167
jmp/b

February 26, 1959

Department of Justice
Civil Division
Washington 25, D. C.

Attention: George F. Foley, Chief
Government Claims Section

Re: United States v. Carl H. Peterson and
Walter A. Bulk - Civil Action No. 6167
D.J. No. 77-13-326, GCR:RK:rs

Gentlemen:

Reference is made to the Department's inquiry of February 3, 1959.

Please be advised that default judgment was entered in the above case against the defendant Carl H. Peterson on February 20, 1959, in the amount of $8,610.29, and that court costs in the sum of $37.00 will be taxed against him. I am enclosing two copies each of Affidavit for Default Judgment, Judgment by Default and Bill of Costs filed in said case.

We understand from Mr. Peterson that he has no property at this time. However, in order to protect the government's interests should he acquire any property at some future time, we are filing a transcript of the judgment with the County Clerk, Cuyahoga here in Ravenna.

We are writing to Mr. Peterson today advising him of the judgment and attempting to get him to make some arrangement to pay the amount due in this case. We shall of course keep you advised of all developments.

We do not know the present whereabouts of Mr. Walter Bulk, and would therefore appreciate it if you would advise whether we may dismiss the complaint as to him, without prejudice, for failure of service in this district.

Yours very truly,

DONALD R. KELLEY
United States Attorney

By:
JOHN C. PERRILL
Assistant U. S. Attorney

Reference
cc: A. H. Bennett, Executive Officer, GCR
[illegible]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

THE UNITED STATES OF AMERICA, Plaintiff, v. CARL H. PETERSON and WARNER A. FALK, Defendants.	CIVIL NO. 6167 AFFIDAVIT (For Default Judgment)

The undersigned, of lawful age, first being duly sworn, upon oath deposes and says;

That he is an Assistant United States Attorney for the District of Colorado and is the Attorney for the Plaintiff, the United States of America, in the above-entitled matter; that the Plaintiff instituted the above-entitled action against the above-named defendant for a sum certain, or for a sum which can be computed and made certain as shown by the complaint on file herein.

That the Summons and a copy of the Complaint were served on the defendant Carl H. Peterson by the United States Marshal for the District of Colorado as shown by the return on file in this case;

That more than twenty days has elapsed since the date of service; that the said defendant has failed to plead or otherwise defend as provided by the Federal Rules of Civil Procedure and the defendant is not an infant or incompetent person and default should be noted and entered.

That the defendant is an adult and is not engaged in the military or naval service of the United States of America, nor was so engaged thirty days prior hereto.

That judgment be entered in favor of the Plaintiff and against the defendant Carl H. Peterson in the sum of $8,[illegible], which is the amount of principal and interest due and owing to date hereof as prayed for in the Complaint.

That the conferences of September 26, 1956 and November 21, 1956, at which the offers were made as alleged in paragraph IV of the complaint, were held in affiant's office, in the United States Post Office Building, Denver, Colorado, and were attended by the defendants Peterson and Falk and by William Trever and J. W. Townsend of the Defense Minerals Exploration Administration, as well as affiant; that affiant knows that the matters set forth in said paragraph IV are true; that under date of November 28, 1956, affiant wrote to the defendant Peterson with respect to said defendants' offer, and received, in response thereto, written confirmation of said offer signed by the defendants Peterson and Falk; affiant's office copy of said letter of November 28, 1956 is attached hereto marked "Exhibit A", and said response, dated December 18, 1956, is attached hereto marked "Exhibit B"; that said offer was accepted as alleged in paragraph V of the complaint by letter written by affiant to the defendant Peterson, enclosing receipt for payment of $[illegible].00, as alleged, affiant's office copies of which are hereto attached marked "Exhibit [illegible]"; that affiant knows that the balance due as alleged in paragraph VI of the complaint is unpaid and affiant has attempted unsuccessfully to collect said balance; that there is attached hereto a letter directed to affiant by said defendants Peterson and Falk under date of July 31, 1957 acknowledging said indebtedness, which letter is marked "Exhibit D".

Form A. O. 133 Rev. 1-1-52

BILL OF COSTS

United States District Court
for the

[redacted]

[redacted]

vs.

[redacted]

CIVIL ACTION FILE No. [redacted]

Judgment having been entered in the above entitled action on the [redacted] day of [redacted], 19[redacted], against [redacted] the clerk is requested to tax the following as costs:

BILL OF COSTS

Fees of the clerk	$ [redacted]
Fees of the marshal	[redacted]
Fees of the court reporter for all or any part of the transcript necessarily obtained for use in the case	
Fees and disbursements for printing	
Fees for witnesses (itemized on reverse side)	
Fees for exemplification and copies of papers necessarily obtained for use in case	
Docket fees under 28 U. S. C. 1923 [redacted]	[redacted]
Costs incident to taking of depositions	
Costs as shown on Mandate of Court of Appeals	
Other Costs (Please itemize)	
Total	$ [redacted]

State of [redacted]
County of [redacted] } ss:

I, [redacted] do hereby swear that the foregoing costs are correct and were necessarily incurred in this action and that the services for which fees have been charged were actually and necessarily performed. A copy hereof was this day mailed to [redacted] with postage fully prepaid thereon.

Please take notice that I will appear before the Clerk to tax said costs on the [redacted] day of [redacted], 19[redacted] at [redacted].

Attorney for [redacted]

Subscribed and sworn to before me this [redacted] day of [redacted] A. D. 19[redacted]
at [redacted]

By [redacted]

Costs are hereby taxed in the amount of $ this day of , 19 , and that amount included in the judgment.

Clerk.

By

Deputy Clerk.

NOTE: SEE REVERSE SIDE FOR AUTHORITIES ON TAXING COSTS.

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

[redacted]	CIVIL NO. [redacted]
Plaintiff(s),	JUDGMENT BY DEFAULT
vs.	
[redacted]	
Defendant(s).	

The summons and the complaint in the above-entitled action having been duly served on the defendant[redacted], and the defendant[redacted] having been defaulted for failure to appear in the action, and the plaintiff[redacted] having filed an affidavit of the amount due, it is

ORDERED that judgment be entered in favor of the plaintiff(s) above named and against the defendant(s) Carl H. Peter[illegible] above named, in the sum of $[redacted], with costs to be taxed.

DATED at Denver, Colorado, this [redacted] day of [redacted], A.D. 195[redacted].

BY THE COURT:

United States District Judge

EXTRA COPY O. M. E. RECEIVED MAR 2 1959		
DATE	INITIALS	CODE
3/2	C	220
		225

orig with all attachments to 800

28th Ave Customhouse
Denver 2, Colorado

February 27, 1959

Memorandum

To: Chairman, Operating Committee, OME

From: Executive Officer, OME Field Team, Region III

Subject: Docket No. [illegible] (Lead-Zinc) Contract No. IAm-[illegible]
Docket [illegible]-1870 (Lead - Zinc) Contract No. IAm-[illegible]
U. S. Metals Corporation, San Juan County, Colorado

In reference to action by the U. S. Attorney's office in conjunction with the Government's claim for reimbursement under the two subject contracts, enclosed is a copy of the letter dated February 26, 1959, by James G. Farrill, Assistant U. S. Attorney, with attached data referred to therein.

It appears very doubtful that the Government will recover the amount of its claims under the two contracts; therefore, we would like to close our files on the two accounts. Please advise in the matter.

Original signed by
J. W. TOWNSEND

J. W. Townsend

Encls.

JWT:bh

cc: Royalty File E-29) with copy of
Royalty File E-309) enclosures
Corres. File E-29
Corres. File E-309
Cooper (2)
Chron.

OFFICE FILE COPY
O. M. C.
FEB 2

United States Department of Justice

UNITED STATES ATTORNEY
DISTRICT OF COLORADO
348 POST OFFICE BUILDING
DENVER 1, COLORADO

MAILING ADDRESS
P. O. BOX 1776
TELEPHONE KE 4-4151
EXT. 561

IN REPLY REFER TO
8488 - 6167
jcp/b

February 26, 1959

Mr. J. W. Townsend
Executive Officer, OMK
Field Team, Region III
Department of the Interior
224 New Customhouse
Denver 2, Colorado

Re: United States v. Carl H. Peterson, et al. - Civil Action No. 6167
D.J. No. 77-13-326, OCD:HK:re
Docket No. DMA-606, Contract No. Idm-E29 and Docket No. DMEA-1870, Contract No. Idm-E309

Dear Mr. Townsend:

We are enclosing herewith copy of our letter of this date directed to the Department of Justice in Washington, together with copies of Affidavit for Default Judgment, Judgment by Default and Bill of Costs filed on February 20, 1959, in the above case.

We shall keep you advised of developments in this case.

Yours very truly,

DONALD E. KELLEY
United States Attorney

By:

JAMES C. PERRILL
Assistant U. S. Attorney

Enclosures

8488 - 6167
jmp/b

February 26, 1959

Department of Justice
Civil Division
Washington 25, D. C.

Attention: George F. Haley, Chief
Government Claims Section

Re: United States v. Carl E. Peterson and
Walter A. Falk - Civil Action No. 6167
D.J. No. 77-13-386, GCD:EK:re

Gentlemen:

Reference is made to the Department's inquiry of February 3, 1959.

Please be advised that default judgment was entered in the above case against the defendant Carl E. Peterson on February 20, 1959, in the amount of $8,010.29, and that court costs in the sum of $37.80 will be taxed against him. I am enclosing two copies each of Affidavit for Default Judgment, Judgment by Default and Bill of Costs filed in said case.

We understand from Mr. Peterson that he has no property at this time. However, in order to protect the government's interests should he acquire any property at some future time, we are filing a transcript of the judgment with the County Clerk and Recorder here in Denver.

We are writing to Mr. Peterson today advising him of the judgment and attempting to get him to make some arrangement to pay the amount due in this case. We shall of course keep you advised of all developments.

We do not know the present whereabouts of Mr. Walter Falk, and would therefore appreciate it if you would advise whether we may dismiss the complaint as to him, without prejudice, for failure of service in this district.

Yours very truly,

DONALD E. KNILEY
United States Attorney

By:
JAMES C. PERKILL
Assistant U. S. Attorney

Enclosures
cc: J. W. Townsend, Executive Officer, GSA,
Field Comm. Boston 9th, Denver, Colorado

Form A. O. 133 Rev. 1-1-52

BILL OF COSTS

United States District Court
for the

[redacted]

[redacted]

vs.

[redacted]

CIVIL ACTION FILE No. [redacted]

Judgment having been entered in the above entitled action on the [redacted] day of [redacted], 19[redacted], against [redacted] the clerk is requested to tax the following as costs:

BILL OF COSTS

Fees of the clerk	$ [redacted]
Fees of the marshal	[redacted]
Fees of the court reporter for all or any part of the transcript necessarily obtained for use in the case	
Fees and disbursements for printing	
Fees for witnesses (itemized on reverse side)	
Fees for exemplification and copies of papers necessarily obtained for use in case	
Docket fees under 28 U. S. C. 1923 [redacted]	[redacted]
Costs incident to taking of depositions	
Costs as shown on Mandate of Court of Appeals	
Other Costs (Please itemize)	
Total	$ [redacted]

State of [redacted]
County of [redacted] } ss:

I, [redacted] do hereby swear that the foregoing costs are correct and were necessarily incurred in this action and that the services for which fees have been charged were actually and necessarily performed. A copy hereof was this day mailed to [redacted] with postage fully prepaid thereon.

Please take notice that I will appear before the Clerk to tax said costs on the [redacted] day of [redacted], 19[redacted] at [redacted].

Attorney for [redacted]

Subscribed and sworn to before me this [redacted] day of [redacted] A. D. 19[redacted] at [redacted]

By [redacted]

Costs are hereby taxed in the amount of $ this day of , 19 , and that amount included in the judgment.

Clerk.

By

Deputy Clerk.

NOTE: SEE REVERSE SIDE FOR AUTHORITIES ON TAXING COSTS.

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

D.M.E.

[redacted])

Plaintiff(s),)

vs.)

[redacted])

Defendant(s).)

CIVIL NO. [redacted]

JUDGMENT BY DEFAULT

The summons and the complaint in the above-entitled [redacted] action having been duly served on the defendant(s), and the defendant(s) having been defaulted for failure to appear in the action, and the plaintiff(s) having filed an affidavit of the amount due, it is

ORDERED that judgment be entered in favor of the plaintiff(s) above named and against the defendant(s) Carl H. Peterson above named, in the sum of $[redacted], with costs to be taxed.

DATED at Denver, Colorado, this [redacted] day of [redacted], A.D. 195[redacted].

BY THE COURT:

United States District Judge

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

THE UNITED STATES OF AMERICA, Plaintiff, v. CARL H. PETERSON and WALTER A. BALK, Defendants.	CIVIL NO. 6167 A F F I D A V I T (For Default Judgment)

The undersigned, of lawful age, first being duly sworn, upon oath deposes and says;

That he is an Assistant United States Attorney for the District of Colorado and is the Attorney for the Plaintiff, the United States of America, in the above-entitled matter; that the Plaintiff instituted the above-entitled action against the above-named defendant for a sum certain, or for a sum which can be computed and made certain as shown by the complaint on file herein.

That the Summons and a copy of the Complaint were served on the defendant Carl H. Peterson by the United States Marshal for the District of Colorado as shown by the return on file in this case;

That more than twenty days has elapsed since the date of service; that the said defendant has failed to plead or otherwise defend as provided by the Federal Rules of Civil Procedure and the defendant is not an infant or incompetent person and default should be noted and entered.

That the defendant is an adult and is not engaged in the military or naval service of the United States of America, nor was so engaged thirty days prior hereto.

That judgment be entered in favor of the Plaintiff and against the defendant Carl H. Peterson in the sum of $8,[illegible], which is the amount of principal and interest due and owing to date hereof as prayed for in the Complaint.

That the conferences of September 26, 1956 and November 23, 1956, at which the offers were made as alleged in paragraph IV of the complaint, were held in affiant's office, in the United States Post Office Building, Denver, Colorado, and were attended by the defendants Peterson and Balk and by William Trever and J. W. Townsend of the Defense Minerals Exploration Administration, as well as affiant; that affiant knows that the matters set forth in said paragraph IV are true; that under date of November 28, 1956, affiant wrote to the defendant Peterson with respect to said defendants' offer, and received, in response thereto, written confirmation of said offer signed by the defendants Peterson and Balk; affiant's office copy of said letter of November 28, 1956 is attached hereto marked "Exhibit A", and said response, dated December 18, 1956, is attached hereto marked "Exhibit B"; that said offer was accepted as alleged in paragraph V of the complaint by letter written by affiant to the defendant Peterson, enclosing receipt for payment of $500.00, as alleged, affiant's office copies of which are hereto attached marked "Exhibit [illegible]" That affiant knows that the balance due [illegible]

RECEIVED

FEB 3 1959

ASSOCIATE SOLICITOR
MINERAL RESOURCES

OFFICIAL FILE COPY
O. M. E.
RECEIVED FEB 4 1959

DATE	INITIALS
2/4	C

225

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rsu/ls FEB 3 - 1959
SOLICITOR

January 30, 1959

Mr. George Cochran Doub
Assistant Attorney General
Civil Division
Department of Justice
Washington, D. C.

Attention: Mr. George F. Riley, Chief
Government Claims Division

Re: U. S. Metals Corporation - Dept. of Interior
claim - 6[illegible], TT-13-[illegible]

Dear Sir:

Mr. Carl E. Petersen called personally at our office on December 19, 1958 and advise us that he expects to receive $2,000.00 in February of this year on the result of a mill running. He also advised us that Mr. Harold Cohen is negotiating him.

We regret that this information was not furnished to you at that time and will keep you informed.

Very truly yours,

[illegible] L. [illegible]
United States Attorney

By [illegible]
Asst. U. S. Attorney

Copy of letter
dated Dec. 31
to Atty Gen. Lohr

2/2/59

[illegible]
[illegible] OF COLORADO
[illegible] OFFICE BUILDING
DENVER 1, COLORADO

December 23, 1958

DMA 606

Mr. J. U. Townsend
Executive Officer, OME
Department of Interior
[illegible] Sherman Street
Denver 2, Colorado

OME
DEPARTMENT OF THE INTERIOR
DEC 24 1958
REGION III
DENVER COLORADO

Re: J. U. Metals Corporation, Denver, Colorado
Department of the Interior, Defense Minerals
Exploration Administration Claims

Dear Mr. Townsend:

Your letter of December 22, 1958 concerning the above-captioned matter has been received.

Mr. Wham is on leave at the present time, but upon his return the first of the year will advise you as to the present status of this case.

Very truly yours,

DONALD E. KELLEY
United States Attorney

Official

~~EXTRA~~ COPY
O. M. E.
RECEIVED DEC 31 1958

DATE	INITIALS	CODE
12/31	C	220
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Copies to
Chmn. Op. Comm 4
Harshman 2
OME – DFC 2
Corres file E-29
Corres file E-309
Roy. Corres. E-29
Roy. Corres. E-309
Cooper 2

OFFICIAL FILE COPY
O. M. E.
RECEIVED DEC 29 1958

DATE	INITIALS	CODE
12/29	C	220
		M+P

224 New Customhouse
Denver 2, Colorado
December 22, 1958

Mr. Robert S. Wham
Assistant U. S. Attorney
348 Post Office Building
Denver 1, Colorado

Re: U. S. Metals Corporation, Denver, Colorado
Department of the Interior, Defense Minerals Exploration Administration Claims
Docket No. DMA-606, Contract No. Idm-E29 and
Docket No. DMA-1870, Contract No. Idm-E309

Dear Mr. Wham:

Will you please advise the present status of legal action pending against the captioned Operator.

Very truly yours,

Original signed by
J. W. TOWNSEND

J. W. Townsend,
Executive Officer, OME
Field Team, Region III

HMC:bh
cc: Chmn. Op. Comm. (4)
Harshman (2)
OME/DFC (2)
Cooper (2)
Corres. File E-29
Corres. File E-309
Roy. Corres. E-29
Roy. Corres. E-309
Chron.

606

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RSW:ls:dt

Official
~~EXTRA~~ COPY
DMEA
RECEIVED SEP 17 1958

DATE	INITIALS	CODE
9/17	C	220
		225

August 28, 1958

George Cochran Doub, Esq.
Assistant Attorney General
Civil Division
Department of Justice
Washington 25, D. C.

Att'n: George F. Foley
Chief, Government Claims Section

Re: U.S. v. Carl H. Peterson and Walter A. Falk. Department of Interior claim for $7867.41, mineral exploration contract.
D.J. No. GCD:MAP 77-13-326

Dear Sir:

We are enclosing herewith two copies of complaint, which was filed this date in the above-captioned case.

We will keep you advised of further developments.

Very truly yours,

DONALD E. KELLEY
United States Attorney

By:
ROBERT S. WHAM
United States Attorney

Enclosures

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

THE UNITED STATES OF AMERICA,	CIVIL NO.
v.	COMPLAINT
GEO. E. PHEBUSH and WALTER A. BEIL,	
Defendants.	

Comes now the United States of America by its attorneys, Donald E. Kelley, United States Attorney for the District of Colorado and Robert S. Vann, Assistant United States Attorney for the District of Colorado, for a cause of action against the defendants, GEO. E. PHEBUSH and WALTER A. BEIL, and alleges as follows:

I

That this Court has jurisdiction by reason of the fact that the plaintiff is the United States of America.

II

That the defendants, GEO. E. PHEBUSH and WALTER A. BEIL, are residents of Denver, in the State and District of Colorado.

III

That this claim arises in connection with two defense minerals exploration contracts between the plaintiff and U. S. Metals Corporation, a Colorado Corporation, being contract X-[illegible]-[illegible] and contract XM - [illegible], under which contracts plaintiff asserted claims against the U. S. Metals Corporation for [illegible]% of the salvage value of certain equipment and unexpended supplies, requiring that the plaintiff, the purchase price of plaintiff's interest in certain equipment purchased by said U. S. Metals Corporation, and certain overpayments made by plaintiff to the said U. S. Metals Corporation under said contracts.

IV

That the defendants, [illegible] and [illegible], as officers and promoters of the U. S. Metals Corporation, did at Denver, Colorado, on September 26, 1956 and November 23, 1956, jointly and severally and personally offer to pay to the plaintiff in settlement of plaintiff's claims against the U. S. Metals Corporation, the sum of $7,307.41, payable as follows: $200.00 was submitted in connection with said offer, $200.00 to be paid three months after acceptance of the offer, $200.00 to be paid five months after acceptance of the offer, $200.00 to be paid seven months after acceptance of the offer, and the balance of $6,507.41 to be paid nine months after acceptance of the offer.

V

That said offer was accepted by the plaintiff on January 2, 1957 and the said sum of $200.00 submitted with said offer by defendants was applied upon said settlement account.

VI

That defendants have wholly failed and refused to pay any additional sums on account of said settlement agreement although demand has been made therefor by plaintiff, and there is now due to plaintiff from defendants the following amounts, together with interest at the rate of 6% per annum from the due date opposite each respective amount:

Date Due	Amount
April 2, 1957	$ 200.00
June 2, 1957	200.00
August 2, 1957	200.00
October 2, 1957	6,507.41
Total	$ 7,307.41

WHEREFORE, plaintiff prays for judgment against the defendants, jointly and severally in the sum of $7,307.41, together with interest

[illegible] the rate of 6% per annum upon the refrigerators commencing from and after the date hereof as alleged in paragraph IV hereof, and for such other and further relief as to the Court shall seem just.

[illegible]
United States Attorney for the
District of Colorado

[illegible]
Asst. United States Attorney for the
District of Colorado

Defendants' Address:

[illegible] Mercantile Building
[illegible] Stout Street
Denver 2, Colorado

OFFICI

Date	Sur	Code

PROJECT SUMMARY REPORT

By: J. W. Alt July 17, 1958

1. Docket No. DMEA-606 (Lead-Zinc-Copper)
Contract No. Idm-E29
Property: Henrietta Mine
San Juan County, Colorado

Operator: U. S. Oil and Development Corporation
205-11-16 Mercantile Building
15th & Arapahoe Streets
Denver 2, Colorado

Name changed to: U. S. Metals Corporation.
Change made May 28, 1952.

Operator's Property Rights: Lessee
Agreement to lease and sell patented and unpatented mining claims - agreement made January 1, 1951.
Landlord's Subordination Agreement dated June 21, 1951.

2. Contract dated June 27, 1951. To complete - 6 months.

Work Authorized

Rehabilitation of the Henrietta No. 7 tunnel, approximately 1,600 feet, and of a raise to the No. 1 tunnel.

Supplies - estimated cost	$ 8,504.00	
Labor - estimated cost	11,520.00	
		$19,925.00

Drift on the Surprise vein in the No. 7 tunnel, 100 feet @ $35/ft.

Labor	$1,920.00	
Supplies	1,580.00	
		3,500.00
Equipment purchase		13,225.00
Freight and trucking		2,500.00
Supervision		2,500.00
Power poles and wire		1,000.00
Repair of bulldozer		3,000.00
Electric power, 5 months @ $400/month		2,000.00
Total cost of Project		$47,650.00

Amendments

Not numbered - dated June 27, 1951.

Permits the construction of roads.
Sets rates for carpenter and bulldozer operator.

Not numbered - dated December 18, 1951.

Contract rate of pay established for miners.

Not numbered - dated January 24, 1952.

Changes completion time from 6 months to 13 months.

Not numbered - dated February 15, 1952.

Under title Fixtures and Improvements:
Allows for the construction of snow shed, change room, compressor and fan house.

Not numbered - dated February 15, 1952.

Under Labor and Supervision:
Delete "1 mechanic" and insert "1 mechanic at $400.00 per month".

No.6 Dated June 27, 1951 between the United States of America and U. S. Metals Corporation, formerly U. S. Oil and Development Corporation. Effective as of date of contract.

Work Authorized

Exhibit "A"

1. Construction and maintenance of an access road.

2. Extension of the power transmission line.

3. Construct and maintain snowshed, compressor house, change room and fan house at the Henrietta No. 7 tunnel project.

4. Repair tractor bulldozer.

5. Rehabilitate approximately 1,600 feet of the Henrietta No. 7 tunnel.

6. Rehabilitate 580-foot raise from No. 7 to No. 1 tunnel.

7. Drifting on the Henrietta, Surprise, or other veins an aggregate maximum of 700 feet.

8. Raising or sinking on the Henrietta and Surprise veins not to exceed an aggregate maximum of 400 feet or to the extent of funds allocated or remaining for such work.

Estimate of Project Costs

(1)	Access road construction and maintenance	$ 2,126.74
(2)	Power line extension	384.58
(3)	Building construction and maintenance	3,829.98
(4)	Repairs to tractor	5,655.48
(5)	Rehabilitation of Henrietta No. 7 tunnel	42,547.12
(6)	Rehabilitation of 580-foot raise	5,800.00
(7)	Drifting a maximum of 400 feet	24,500.00
(8)	Raising or sinking a maximum of 400 feet	16,000.00
	Equipment purchases	12,794.44
	Total Estimated Cost of Project	$113,638.34

Summary of Estimated Project Costs

Exhibit "C"	- Operating Equipment (Purchase)	$ 12,794.44
Exhibit "D"	- Labor and Supervision	49,300.00
Exhibit "E"	- Repairs and Rehabilitation	5,655.48
Exhibit "F"	- Material, Supplies, Power, and other	45,888.42
	Total Estimated Cost of Project	$113,638.34

Delete 6 months completion time and substitute 24 months.
In Article 11 Participation by the Government of Exploration Contract Form MF-200, delete figures "23,825.00" and substitute the figures "56,819.17"; delete the figures "47,650" and substitute the figures "113,638.34".

No. 7 Dated October 1, 1952. Effective date of Contract.

Allows drifting around extensively caved sections of the Henrietta No. 7 tunnel.
Allows for additional operating equipment to be purchased.

No. 8 Dated November 3, 1952. Effective date of contract.

Allows for operating equipment to be rented.

No. 9 Dated April 13, 1953. Effective date of contract.

Completion time increased from 24 months to 30 months.

No. 10 Effective June 4, 1953.

Suspends work of project from June 4, 1953 to July 1, 1954.
Completion time extended from 30 months to 42 months.
Royalty payment period increased from 10 years to 12 years.
New Owner's Consent to Lien dated March 13, 1954.

No. 11 Effective June 4, 1953.

Recess period extended from July 1, 1954 to September 1, 1954.
New Owner's Consent to Lien, dated September 23, 195_

No. 12 Effective June 4, 1953.

Suspends work from June 4, 1953 to July 1, 1955.
Completion time extended to 54 months.
Contains a Pseudo-Certification.
Royalty payment period increased to 13 years.

No. 13 Effective June 4, 1953.

Suspends work to September 1, 1955.
Completion time extended to June 27, 1956.
Royalty payment period increased to 14 years.
Work to be resumed on or before September 1, 1955.

No. 14 Effective June 4, 1953.

In Amendment No. 12:
(a) In paragraphs 2 (a) and 5 (a), the date "December 28, 1953" is substituted for the date "June 4, 1953".

Work Completed

New buildings and improvements	$ 3,322.64
Power line installation (1,000 ft.)	384.58
Access roads	3,226.74
16 feet of inclined raise from No. 7 tunnel level ($44.77/ft.)	716.38
1,450 feet of No. 7 level drift rehabilitation ($37.92/ft.)	54,984.38
452 feet of lateral drift on No. 7 level ($28.86/ft.)	13,047.22
92.5 feet of drift on the Surprise vein	2,493.12
Total Cost of Exploration Project	$78,175.06
Government Participation @ 50%	$39,087.53

Work under the contract was started on June 18, 1951, and stopped on December 17, 1953.
Contract terminated August 5, 1955.

3. Report of Review dated April 9, 1956.

Total cost as billed by contractor	$85,437.46
Less: Salvage value of equipment	4,421.06
Net Cost as claimed by contractor	$81,016.40
Exceptions	2,841.34
Total Accepted Cost	$78,175.06
Government Participation @ 50%	$39,087.53

Operator's final report dated April 11, 1957.
Field Team final report dated October, 1956.

4. Certification date: No certification made but a Pseudo-Certification is contained in Amendment No. 12.

5. Comments

Exploration under the subject contract was poorly presented, and the ore potential of the Henrietta Mine has not been determined. The Operator was hampered by serious financial difficulties.

Exploration resulted in the discovery of a pipe-like ore shoot in the Surprise drift, the vertical extent of which is not known.

The production for the period of June 27, 1951 to February 11, 1954 was about 15,300 tons of ore containing an estimated 0.005 oz. gold and 2.1 oz. silver per ton; 0.1% copper, 3.0% lead and 2.3% zinc.

Between 450 and 550 feet from the portal, the walls of the 7th level crosscut are highly silicified and irregularly fractured, some of the fractures containing small amounts of base metal sulphides. At a point 510 feet from the portal, the Surprise drift was driven 60 feet along one of the more strongly mineral-bearing fractures that strikes N 30° W. The amount of ore mined is unknown; a stope above the drift is caved and inaccessible. This fracture ended at the breast of the drift where it was cut off by another mineralized fracture that strikes almost due north. Under the contract, this northerly trending fracture was followed by a drift for about 90 feet. This drift was sampled at 10-foot intervals, average width was 5.0 feet and averaged 0.005 oz. gold, 2.94 oz. silver per ton, 5.4% lead, 5.73% zinc and 0.07% copper. 40 feet of this drift, 4.5 feet wide, contains 3.86 oz. silver per ton, 7.13% lead and 10.04% zinc. A stope on this ore has not been carried very high, but ore-grade material persists to the back. This ore shoot is typical of the pipe or chimney-type deposits seen elsewhere in the Red Mountain district.

Since the prime objectives of the exploration program were not reached, further exploration of the property, at some future date, remains just as attractive a project as when first considered by DMEA. Government participation with the present management at the Henrietta Mine is not recommended.

J. W. Alt

J. W. Alt

JWAlt/ss 7/7/58
Copy to: Docket
Mr. Johnson
Chron.

ed Interim & Final

W[illegible]K ANALYSIS SHEET - DMEA PROJECT[illegible]

[X] Actual Cost

[ ] Agreed Unit Costs

rtified Psu. Con. Eff. 11/1/54

Analysis as of 3/28/55

Incl. Voucher for December 1953

U. S. Metals Corporation

Docket No. 606/29

te Colorado

Commodity Lead-Zinc-Copper

Idm-E No.

OPERATION	AUTHORIZED Units	AUTHORIZED Cost	COMPLETED Units	COMPLETED Cost	NET COST
Drifting & Crosscutting ($26.48/ft.)	700'	$ 24,500.00	544.5'	$ 14,416.17	$ 14,416.17
Raising ($39.66/ft.)	400'	16,000.00	16'	634.57	634.57
Shafts					
Winzes					
Drilling (Specify)					
Surface Excavation					
Underground Excavation					
Roads and Trails		5,655.48		3,226.74	3,226.74
Operating Equipment Purchased		10,470.43		7,766.99	3,345.93
Surface Rehabilitation & Repairs		4,835.33		4,835.33	4,835.33
Underground Rehabilitation		48,347.12		48,009.10	48,009.10
New Building, Improvements, etc.		3,829.98		3,707.22	3,707.22
Other (Specify)					
Totals		$113,638.34		$ 82,596.12	$ 78,175.06

Third Interim Audit gives all information except Salvage.

Salvage value of equipment: $4,421.06

Prepared by W. P. Klugescheid/er

71626

Audited [illegible] WO[illegible] ANALYSIS SHEET - DMEA PRO[illegible] ☒ Actual Cost

Certified P.S. Cond. Analysis as of 3/28/55. ☐ Agreed Unit Costs

Incl. Voucher for December 1953.

U.S. METALS CORPORATION. Docket No. 606

COLORADO Commodity LEAD-ZINC-COPPER Idm-E No. 29

OPERATION	AUTHORIZED Units	AUTHORIZED Cost	COMPLETED Units	COMPLETED Cost	NET COST
Drifting & Crosscutting $26.48/ft.	700'	24,500.00	544.5'	14,416.17	14,416.17
Raising Shafts $39.66/ft.	400'	16,000.00	16' Raise	634.57	634.57
Winzes					
Drilling (Specify)					
Surface Excavation					
Underground Excavation					
Roads and Trails		5,655.48		3,226.74	3,226.74
Operating Equipment Purchased		10,470.93		7,766.99	3,345.93
Surface Rehabilitation & Repairs		4,835.33		4,835.33	4,835.33
Underground Rehabilitation		48,347.12		48,009.10	48,009.10
New Building, Improvements, etc.		3,829.98		3,707.22	3,707.22
Other (Specify)					
Totals		113,638.34		$82,596.12	$78,175.06

Recapped

checks audit

Amendment No. 13. Extends access in Amend. 12 to Sept. 1, 1955. [illegible] time to June 27, 1956. Work cannot be advanced [illegible] Sept. 1, 1955.

Audit as of Dec. 31, 1953 Exists but MF-104 does not in any files including [illegible].

Salvage value of Equipment: 4421.06 Prepared by [illegible]

Field Team Final Report received June 17, 1957.

Operator's Final Report dated April 11, 1957.

71626

U.S. Metals Corp. — 606 — Colorado

700' Drifting	$24,500.00 ✓
400' Raising or Sinking	16,000.00 ✓
Rehab. Undgr.	48,347.12 ✓
Equip. Purchase	12,794.44 ✓
Repairs to Bulldozer.	5,655.48 ✓
Buildings	3,829.98 ✓
Roads.	2,126.74 ✓
Power Lines.	384.58 ✓
	$113,638.34

Spent.

544.5'		14,416.17 ~~14,531.35~~ ✓
16'	Raising	634.57 ✓
Undgr. Rehab.		50,028.20 ~~48,122.79~~ ✓
Roads + Trails.		3,228.83 ~~3,263.83~~ ✓
Equip. Purch.		7,766.99 ✓
Initial Rehab + Repairs		5,655.48 ✓
Bldgs. etc.		3,322.64 ✓
Power Line		384.58 ✓
		85,437.46 ~~83,672.23~~

Audit as of Dec. 31, 1953 exists but MF-104 does not in any files (including Chambers)

File
Recm in Div

77-13-326
INTERIOR DEPT.
MAR 21 1958
SOLICITOR

8488
RSW/ls

March 13, 1958

Mr. Carl H. Peterson
Scientific Research Corporation
208 Mercantile Building
1031 Fifteenth Street
Denver 2, Colorado

Re: U. S. Metals Corporation

Dear Mr. Peterson:

I have just returned from a week in Washington, D. C. during which time I discussed with officials of the Department of Justice your indebtedness to the United States arising from your agreement to pay a total of $7,867.41 for the salvage value of the Government's share of equipment and unexpended supplies of the U. S. Metals Corporation. You have defaulted on the terms of payment to which you agreed, and the entire balance is now due and payable.

I have been instructed to proceed forthwith to suit against you and Mr. Walter A. Falk for the full amount of your indebtedness and I am therefore writing you this letter to give you an opportunity to clear up the matter before costs of suit are incurred.

Unless steps are taken to clear up this indebtedness within the next 15 days, we will proceed to suit without further notice to you.

FORWARDED TO

FOR
Information & File

DEPARTMENT OF JUSTICE
Civil Division

(DATE) : (INITIALS)

Very truly yours,

DONALD E. KELLEY
United States Attorney

By: ROBERT S. WHAM
Asst. U. S. Attorney

cc: Mr. George F. Foley, Chief, Government Claims Section, Civil Division, Washington, D. C.

1s

March 13, 1958

RECEIVED

Mr. Carl H. Peterson
Scientific Research Corporation
208 Mercantile Building
1031 Fifteenth Street
Denver 2, Colorado

Re: U. S. Metals Corporation

Dear Mr. Peterson:

I have just returned from a week in Washington, D. C. during which time I discussed with officials of the Department of Justice your indebtedness to the United States arising from your agreement to pay a total of $7,867.41 for the salvage value of the Government s share of equipment and unexpended supplies of the U. S. Metals Corporation. You have defaulted on the terms of payment to which you agreed, and the entire balance is now due and payable

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Unless steps are taken to clear up this indebtedness within the next 15 days, we will proceed to suit without further notice to you.

Very truly yours,

DONALD E. KELLEY
United States Attorney

By: ROBERT S. WHAM
Asst. U. S. Attorney

cc: Mr. George F. Haley, Chief, Government Claims Section, Civil Division, Washington, D. C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

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February 19, 1958

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Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Semiannual Report of Certified Project for the period July 1, 1957 to December 31, 1957

DMEA Docket 606 (Lead-Zinc)
Contract Idm-E 29, U. S. Metals Corporation (Henrietta mine)
San Juan County, Colorado

Enclosed are the original and three copies of the subject report prepared in conformance with instructions contained in memorandum of January 6, 1956 from this office, Memorandum 29, and Special Notice in Minutes of Operating Committee Meeting No. 692.

W R King
Executive Officer, DMEA
Field Team, Region III

Enclosures

cc: Semiannual Report File E 29
Harshman
DMEA,DFC - 2
Chron.

DMEA
DEPARTMENT OF THE INTERIOR
FEB 11 1958
REGION III
DENVER, COLORADO

DMEA, REGION III

Statement in Lieu of Semiannual Report

Reporting Period July 9, 1957, to December 31, 1957
Docket and Contract Number DMEA 606, Idm-E29
Operator U. S. Metals Corporation (Henrietta mine)
San Juan County, Colorado

The project has been inactive during the reporting period [X]

Pertinent data relative to the subject contract has remained unchanged since the last report [ ]

Remarks:

Signed Edward W. Buel

Edward W. Buel

Date February 6, 1958

OFFICIAL FILE COPY
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DATE	INITIALS	CODE
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UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
224 New Customhouse
Denver 2, Colorado

AIR MAIL

October 25, 1957

Memorandum

To: Chairman, Operating Committee, DMEA

From: Acting Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-606 (Lead-Zinc) Contract Idm-E29; Docket DMEA-1870 (Lead-Zinc) Contract Idm-E309; U. S. Metals Corporation, San Juan County, Colorado

Enclosed are two copies of a letter from the United States Attorney's Office to Carl H. Peterson and Walter A. Falk, which is in reference to matter discussed in our memorandum to you of October 24, 1957, pertaining to settlement under the subject contracts.

Under the circumstances, you may wish to defer action from your office pending further action by the United States Attorney's Office.

E. N. Harshman

E. N. Harshman

Enclosures

DMEA
DEPARTMENT OF THE INTERIOR
OCT 25 1957
REGION III
DENVER, COLORADO

8488

RSW/le

October 24, 1957

Mr. Carl H. Peterson
Mr. Walter A. Falk
206-8 Mercantile Building
1031 15th Street
Denver 2, Colorado

Re: U. S. Metals Corporation, Denver, Colorado
DMEA Claims

Gentlemen:

On September 3, 1957 we wrote to you advising that your letter of July 31, 1957 would have to be supplemented by a complete financial statement from each of you. Forms for such financial statements were forwarded to you at that time. Our letter has been completely ignored.

It will be necessary for you to complete such forms and submit them to this office immediately to avoid legal action being taken against you to enforce the obligation assumed by you on behalf of the U. S. Metals Corporation.

Very truly yours,

DONALD E. KELLEY
United States Attorney

By: ROBERT S. WHAM
Asst. U. S. Attorney

Enclosures

cc: Mr. J. W. Townsend, DMEA Field Team, Region III
224 New Custom House, Denver 2, Colorado

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
224 New Customhouse
Denver 2, Colorado

DMEA
RECEIVED
10/28 C 220 225

October 24, 1957

Memorandum

To: Chairman, Operating Committee, DMEA

From: Acting Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMA 606 (Lead-Zinc), Contract No. Idm-E29;
Docket No. DMEA 1870 (Lead-Zinc), Contract No. Idm-E309;
U. S. Metals Corporation, San Juan County, Colorado

Lack of reply to our letter of September 24, 1957 to Mr. Robert S. Wham, Assistant U. S. Attorney, four copies of which were forwarded to you at the time of writing, and delay in replying to prior telephone inquiries, indicate that settlement of the two accounts through the Attorney General's office may drag out over a considerable period of time.

The Operator is delinquent in making payments agreed to and no penalty has been imposed. In the interest of being able to close our files on these two accounts, it is recommended that your office review the matter and take such action as is indicated, in an effort to speed up action in settling the accounts.

E. N. Harshman

E. N. Harshman

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

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DMEA
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October 8, 1957

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Semiannual Report of Certified Project for the period January 1, 1957 through June 30, 1957

DMEA Docket 606 (Lead-Zinc)
Contract Idm-E 29, U. S. Metals Corporation (Henrietta Mine)
San Juan County, Colorado

Enclosed are the original and three copies of the subject report prepared in conformance with instructions contained in memorandum of January 6, 1956 from this office, Memorandum 29, and Special Notice in Minutes of Operating Committee Meeting No. 692.

E. M. Harshman

Acting Executive Officer, DMEA
Field Team, Region III

Enclosures

MHM/vj
cc: Semiannual Report File E 29
DMEA/DFC (2)
Harshman
Chron.

DMEA
DEPARTMENT OF THE INTERIOR
OCT 3 - 1957
REGION III
DENVER, COLORADO

DMEA, REGION III

STATEMENT IN LIEU OF SEMIANNUAL REPORT

Reporting Period	January 1, 1957 to June 30, 1957
Docket and Contract Number	DMA 606, Idm-E29
Operator	U. S. Metals Corporation (Henrietta mine) San Juan County, Colorado

The project has been inactive during the reporting period [ ]

Pertinent data relative to the subject contract has remained unchanged since the last report [X]

Remarks:

Signed Edward W. Buel
Edward W. Buel

Date October 2, 1957

Official

9/30 C 220 225

[illegible] Bar Department
Denver 2, Colorado

September 24, 1957

Mr. Robert S. Vance
Assistant U. S. Attorney
346 Post Office Building
Denver 1, Colorado

Re: [illegible]
[illegible]/1c

U. S. Metals Corporation
Denver, Colorado
Department of the Interior -
Bureau Minerals Exploration
Administration Claims
Docket No. [illegible]
Contract No. [illegible] and
Docket No. [illegible] 1070
Contract No. [illegible]

Dear Mr. Vance

As we have heard nothing further from you regarding the subject case since your telephone call of July 19, 1957, advising that there would be a hearing on July 23, 1957, we will appreciate advice as to the status of the matter and as to what agreement was reached relative to the Operators' fulfilling their obligations under the prior agreement.

Very truly yours,
Original signed by
J. W. TOWNSEND

J. W. Townsend
Alternate Acting Executive
Officer, DMEA Field Team,
Region III

JWT:pri

cc: Chron. Op. Comm. (4)
Secretaries (2)
DMEA/DOC (2)
Townsend (2)
Corres. [illegible]
Corres. [illegible]
Chron.

Form 7
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7-16	Chambers	800
7/17	Martin	120
"	[illegible]	110
"	[illegible]	102
7/18	P.K.	225

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JUL 18 1957

Mr. W. H. King
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc-Copper)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

Dear Mr. King:

We have your memorandum of July 1, with enclosure, relating to the inadequate final report rendered by the cited Operator. However, in view of the legal complexities already involved in connection with this contract, and since you have already made repeated attempts in this connection, we feel you may as well let the matter drop.

Sincerely yours,

W. S. Martin
ACTING Chairman, Operating Committee (24B)

WRGriswold/er 7/16/57
Copy to: Docket
Admr R File
Op. Committee
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Mr. Jay Chambers, DMEA
Chron.
Base Metals

APPROVED:

P. F. Yopes (24B)
Member, Bureau of Mines

Thor H. Kiilsgaard (24B)
Member, Geological Survey

8623

224 New Customhouse
Denver 2, Colorado

July 15, 1957

Mr. Robert S. Wham
Assistant U. S. Attorney
348 Post Office Building
Denver 1, Colorado

Re: 0488
RSW/la

U. S. Metals Corporation
Denver, Colorado
Department of the Interior -
Defense Minerals Exploration
Administration Claims
Docket No. DMA 606
Contract No. DMa-889; and
Docket No. DMEA 1070
Contract No. DMa-5309

Dear Mr. Wham:

In reference to your letter of June 11, 1956 to Mr. Carl H. Petersen and Mr. Walter A. Falk, U. S. Metals Corporation, Denver, Colorado, we will appreciate advice as to the status of installment payments agreed to by them towards settling the referenced accounts.

Very truly yours,

Original signed by
W. H. KING

W. H. King
Executive Officer, DMEA
Field Team, Region III

JWT:pr1

cc: Chan.Op.Comm.-4
Barabasz-2
DMEA/RFC-2
Townsend-2
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Corres. 5309
Chron.

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UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
224 New Customhouse
Denver 2, Colorado

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July 1, 1957

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMA 606 (Lead-Zinc), Contract No. I-DMA-E29, U. S. Metals Corporation (Henrietta Mine), San Juan County, Colorado.

In reference to the Field Team's final report, dated June 14, 1957, enclosed are the original and one copy of a final report submitted by the Operator pertaining to operations under the subject contract, which we have held in this office for some time in an effort to obtain maps and other data to supplement the report.

The report is considered entirely indadquate. However, numerous efforts, both verbal and written, have failed to obtain more satisfactory data.

The report is forwarded at this late date for your review and advice to us as to how to proceed in the matter.

W. H. King

W. H. King

Enclosures

DMEA
DEPARTMENT OF THE INTERIOR

APR 19 1957
REGION III
DENVER, COLORADO

April 11, 1957

Re: Docket DMEA 606
Contract Idm-E29
Henrietta Mine
San Juan Cty., Colo.

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DATE	INITIALS	CODE

Mr. E. N. Harshman
Acting Executive Officer
DMEA Field Team, Region 111
222 New Customhouse
Denver 2, Colorado

Dear Mr. Harshman;

The work on the Henrietta Mine was recessed on December 28, 1953, and consisted of several parts, which will be discussed separately. Starting with bare ground, a compressor house, change room, shop and snow sheds were built, the ore bin reconditioned, the power lines constructed, and roads repaired and a new road built to bring supplies directly to the portal.

The main tunnel on #7 Level was rehabilitated, which proved to be a very difficult task, as the old timber had failed and surface earth had become saturated and moved into the portal area, which required spiling for considerable distances. At a point approximately 600 feet from the portal, the Surprise ore body was encountered, from which 434.2 tons of concentrate and high grade crude ore were shipped to the smelter, and 1,055.8 tons of crude ore were shipped to a local mill. The ore body appeared to be of the typical Red Mountain chimney type being a brecciated zone contained in a siliceous envelope as described by Burbank. The drift on the Surprise ore body was extended 92.5 feet and the face is now in a low grade ore in a highly siliceous gangue. The ore ranged in width from 5 to 75 feet, the latter width being found where ore followed cross shearing to the north, forming a pod normal to the

long axis of the main ore body. Values were mainly lead, silver and zinc, with very low copper and gold. One truckload of crude ore shipped to the smelter assayed more than 70% lead.

At a point about 1200 feet from the portal, the main Henrietta vein was encountered, but caved so badly that reopening had to be abandoned, and a short lateral was driven in the hanging wall, from which a cross cut succeeded in crossing through the vein. This required spiling and the condition of the old drift was found to be so bad that permission was requested to drive a foot wall lateral to bypass the bad ground. This was granted, and 452 feet of lateral were eventually driven before the drift was found to be in a condition which would warrant an attempt to reopen. From this lateral two cross cuts were driven to the vein at points where the condition of the drift would not permit reopening. Also, a 16 foot raise was driven on a 45^0 slope to cut the vein, and good ore was encountered. Later at the owners expense, an attempt was made to start a stope at this point. Very soon, a holing was made from this stope to an old raise, from which there was an inrush of gas driving the crews out, and the stope caved and had to be abandoned for lack of ventilation. It should be noted that throughout the rehabilitation that bad air was a serious problem and although a booster fan was installed at 600 feet from the portal, crews were often driven from the heading for short periods until the fan cleared out the bad air.

During the crosscutting and raising mentioned above, the ore encountered both in the old stope fills or in place in the raise, was a high grade ore composed of enargite, probably some chalcocite, with minor amounts of chalcopyrite. It appeared to occur in pods along the footwall gouge with from 5 to 10 feet of altered material between foot and hanging which was very slightly mineralized, but not of ore grade in the places observed.

Mr. E. N. Harshman (Cont'd.) April 11, 1957

From the end of the lateral, the old drift was re-entered and opened for 132 feet, which included taking up bottom, the old work having been on a steeper grade than the new. The vein at the point where the lateral holed, was about 8 feet wide, consisting of altered and somewhat silicified andesite, with stringers of iron pyrite from 2 to 10 inches wide, but containing very minor amounts of copper, lead or zinc. As the reopening in this area progressed, the iron stringers steadily improved in copper content, and from 90 to 132 feet beyond the lateral had been stoped for more than 2 floors above the old drift. In the back of this old stope the vein had pinched to about 5 inches but in the southwest face on the first floor is about 10 inches wide. Copper assays ran from 2% to 8% copper, with from 1 to 10 ounches silver and some gold. The ore was pyrite with chalcopyrite in varying amounts, but very little other copper minerals or lead-zinc showing. This work, beyond the lateral, together with the rehabilitation from the portal in, totaled 1450 feet of old work rehabilitated, and 452 feet of lateral by-passing badly caved areas on the Henrietta vein, as well as 92½ feet of drift on the Surprise vein, and a 16 foot test raise from the lateral to the Henrietta vein.

The owner at his own expense, started two raises in the last portion reopened. These raises started on the 2 to 4 inch pyrite seams, with very low copper content. In the back of both raises, the vein has widened and the copper content increased to better than 4%. With a slight increase in width, this would be commercial ore, so that the prospects of coming into ore soon is considered bright. Also, it is estimated that there is not more than 100 feet more of the old drift to be reopened, which point should be under the best ore zone of the #3 level, about 400 feet above.

Respectfully submitted,
U.S. METALS CORPORATION

Sec'y.

IN REPLY REFER TO:

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UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

June 27, 1957
Re: DMEA 606, Idm-E29
U. S. Metals Corporation
Henrietta mine
San Juan County, Colorado
Lead-zinc

Memorandum

To: W. R. Griswold, Defense Minerals Exploration Administration

From: N. E. Nelson, U. S. Geological Survey

Subject: Review of Field Team Final Report

The contract, awarded June 27, 1951, provided for the rehabilitation of a long tunnel (1600 feet), a raise and a drift 100 feet long, at an estimated cost of $47,650.00. In August 1952, the program was revised upward and the estimated cost was increased $65,988.34 to $113,638.34, to cover cost of additional drifting and raising.

The work authorized was not completed, but $78,175.06 was expended. The work resulted in the 'discovery' of one small 'chimney' of low grade ore from which about 15,300 tons of lead and zinc ore were taken. The lead and zinc concentrates, 2,045.60 tons, produced were worth about $71,567.40 and royalty of $3,578.37 was earned, and $1,522.70 remitted.

No ore reserves are estimated. The pipe in the Surprise vein is estimated to contain 27 tons per vertical foot of inferred ore, assaying about 0.005 oz. gold and 2.94 oz. silver per ton, 5.45% lead, 5.73% zinc and 0.07% copper. The height has not been established.

As the main objectives of the work were not realized, several targets were not tested and presumedly possess their original attraction. The examiners say additional exploration may be justified but not under the referenced operator. A pseudo-certification was imposed by an amended Suspension-Termination Agreement dated August 5, 1955.

N. E. Nelson

N. E. Nelson

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
224 New Customhouse
Denver 2, Colorado

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June 14, 1957

Memorandum

To: Chairman, Operating Committee, DMEA

From: DMEA Field Team, Region III

Subject: Docket No. DMA 606 (Lead-Zinc), Contract No. I-DMA-E29, U. S. Metals Corporation (Henrietta mine), San Juan County, Colorado - FINAL REPORT

Enclosed are the original and three copies of a joint final engineering and geologic report, dated October 1956, from C. M. Harrer, Mining Engineer, Bureau of Mines, and D. R. MacLaren, Geologist, Geological Survey, pertaining to work completed under the subject contract; and joint memorandum in transmittal thereof, dated October 12, 1956, from E. N. Harshman and John F. Shaw.

The Operator has not rendered an acceptable final engineering and geologic report as required by the contract.

The recovery of an overpayment, the amount due the Government through liquidation of the jointly owned property acquired under the contract, and royalties due under the provisions of the contract, were placed in the hands of the Justice Department for collection. The matter has not been entirely resolved; therefore, final audit or final settlement of the account has not been effected.

The contract was terminated under provisions of Amendment No. 12, as amended by Amendments Nos. 13 and 14. Also, Amendment No. 12 provides that the total net amount contributed by the Government shall be repayable in the form of percentage royalty on any minerals mined or produced from the land described in Article 2 of the contract.

The exploration work completed consisted of construction and maintenance of access roads, extension of power line approximately 1,000 feet, construction and maintenance of a snow shed,

Reviewed by
DMEA OPERATING COMMITTEE
6-19-57
(date)

construction of a 12-foot x 20-foot utility building, initial rehabilitation and repairs to a tractor-bulldozer, rehabilitation of about 1,450 feet of the Henrietta tunnel, 16 feet of raising, and 544.5 feet of drifting; at a total tentatively accepted cost of $78,175.06, subject to final audit and final settlement of the account, toward which the contract calls for Government contribution to the extent of 50%.

W. H. King

E. N. Harshman

Enclosures

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION III

Building 20
Denver Federal Center
Denver 2, Colorado

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DEPARTMENT OF THE INTERIOR
OCT 15 1956
REGION III
DENVER, COLORADO
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Memorandum

October 12, 1956

To: Executive Officer, DMEA Field Team, Region III

From: E. N. Harshman
John F. Shaw

Subject: Final Engineering and Geological Report, Docket DMA 606 (Lead-Zinc) Contract Idm-E29, U. S. Metals Corporation (Henrietta Mine) San Juan County, Colorado

Enclosed are the original and seven copies of the Final Engineering and Geological Report by C. M. Harrer, Mining Engineer and D. R. MacLaren, Geologist, covering the work performed under Contract Idm-E29.

Exploration Project Contract Idm-E29 between the U. S. Oil and Development Corporation and the Defense Minerals Administration provided for the rehabilitation of about 1,600 feet of the Henrietta No. 7 tunnel and a raise from the tunnel level to the No. 1 level, and 100 feet of drift on the Surprise vein. The total estimated cost of the project was $47,650.00.

The contract was later amended to include the rehabilitation of a 580-foot raise from the No. 7 tunnel to the No. 1 tunnel, and a total of 700 feet of drifting and 400 feet of raising. The estimated cost of this work was $113,638.34.

The work authorized under the contract was not completed, and a pseudo-certification was made. The exploration resulted in the discovery of pipe-like ore shoot in the Surprise drift. The vertical extent of this ore shoot is not known. The cost of the work performed under the contract is $78,175.06.

During the period from June 27, 1951 to February 11, 1954, approximately 2,045 dry tons of lead and zinc concentrates were produced. The royalties due the Government on this ore are $3,578.37. The operator paid royalties in the amount of $1,522.70 and the DMEA has been unable to collect the remainder. The matter has been put in the hands of the U. S. District Attorney. Additional exploration of this property with responsible parties may be justified. Government participation and additional exploration with the present management is not warranted.

E. N. Harshman

Reviewed by
DMEA OPERATING COMMITTEE
6-19-57
(date)

E. N. Harshman
Member Field Team

John F. Shaw
John F. Shaw
Supervising Mining Engineer

JFS:sh
cc: 7
ENHarshman
Idm-E29
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
Fred A. Seaton, Secretary

DEFENSE MINERALS EXPLORATION ADMINISTRATION
FINAL REPORT
REGION III

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Report		

DMA 606, Contract Idm-E29
HENRIETTA MINE
U. S. METALS CORPORATION
SAN JUAN COUNTY, COLORADO

Lead-Zinc

Final Engineering and Geological Report

by

C. M. Harrer, Mining Engineer
Bureau of Mines

D. R. MacLaren, Geologist
Geological Survey

October, 1956

Reviewed by
DMEA OPERATING COMMITTEE
6-19-57
(date)

DMA 606
Contract Idm-E29

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Final Engineering and Geologic Report — Page

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Conclusions and recommendations.....2
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Ownership and extent.....3
History and production.....4
Geology.....4
Ore reserves.....7
Original program and modifications.....7
Work completed under the contract.....9
Summary of factual data.....10
Discussion of conclusions and recommendations.....11

ILLUSTRATIONS

Figure — Follows page

1. Location map, Henrietta mine, U. S. Metals Corp., San Juan County, Colo. (DMA 606) 11

2. Surface map, Henrietta mine, U. S. Metals Corp., San Juan County, Colo. (DMA 606) 11

3. Plan of 7th level workings showing location of samples, assays and work completed. Henrietta Mine, U. S. Metals Corp., San Juan County, Colo. (DMA 606).....11

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DMA 606
HENRIETTA MINE
U. S. METALS CORPORATION
SAN JUAN COUNTY, COLORADO

INTRODUCTION AND SUMMARY

On June 27, 1951, exploration project contract Idm-E29 was signed between U. S. Oil and Development Corporation and the Defense Minerals Administration, to explore the Henrietta mine for lead, zinc, and copper. The original exploration program provided for the rehabilitation of about 1,600 feet of the Henrietta No. 7 tunnel and a raise from the tunnel level to the No. 1 level. In addition, the "Surprise" vein, cut by the tunnel, was to be explored by 100 feet of drift. Total cost of the project was estimated at $47,650.00.

On August 20, 1952, the contract was revised and amended to include the following work at an over-all cost of $113,638.34.

(a) Rehabilitate about 1600 feet of the Henrietta No. 7 tunnel;

(b) Rehabilitate a 580-foot raise from the No. 7 tunnel to the No. 1 tunnel level for ventilation;

(c) Drift on the Henrietta, Surprise, or other veins an aggregate maximum of 700 feet;

(d) Raise or winze on the Henrietta and Surprise veins an aggregate maximum of 400 feet.

The Henrietta mine property comprises 9 patented lode claims and 5 unpatented lode locations in sec. 19, T. 49 N., R. 8 W., Red Mountain Mining District, San Juan County, Colorado. The claims are about 7 miles north of Silverton and at altitudes ranging between 11,000 and 12,000 feet. The portal of the Henrietta No. 7 tunnel, from which exploration was conducted, is on the patented Mineral King claim at an altitude of 11,302 feet.

Work under the contract started on June 18, 1951, and stopped on December 17, 1953. During this period the following work was accomplished under the contract at an over all cost of $78,175.06:

(1) The Henrietta No. 7 tunnel was rehabilitated for 1,450 feet;

(2) A badly caved portion of the No. 7 tunnel was bypassed by 452 feet of drift;

(3) The Surprise vein drift on the No. 7 tunnel level was extended 92.5 feet;

(4) A two-compartment inclined raise was advanced 16 feet above the No. 7 Henrietta tunnel level.

The contract was terminated on August 5, 1955, by an amended Suspension-Termination Agreement (Amendments 12 and 13), dated August 5, 1955.

The Government's interests are protected to June 27, 1965.

Action is being taken by the U. S. Attorney's Office to collect unpaid royalties and the Government's share of the salvage value of equipment and supplies.

CONCLUSIONS AND RECOMMENDATIONS

Exploration under the subject contract was poorly presented, and the ore potential of the Henrietta mine has not been determined. Exploration resulted in the discovery of a pipe-like ore shoot in the Surprise drift, the vertical extent of which is not known.

Additional exploration, with competent management may be justified, since several of the exploration targets remain untested. Government participation with the present management in additional exploration at the Henrietta mine is not recommended.

A pseudo-certification is contained in contract amendments Nos. 12 and 13.

LOCATION AND ACCESSIBILITY

The Henrietta mine (figs. 1 and 2) is in the Red Mountain Mining District, San Juan County, Colo., in sec. 19, T. 49 N., R. 8 W., New Mexico principal meridian. It is about 7 miles north of the town of Silverton, Colo., over well-maintained gravel-surfaced county roads. The mine is at the head of Prospect Gulch (fig. 2), just west of the Joe and John mine (DMEA 1870), at altitudes ranging between 11,000 and 12,000 feet. The terrain is steep and rugged and ample water and timber are available for mining purposes. Labor and supplies are available at Silverton. The Henrietta No. 7 tunnel portal (figs. 2 and 3) from which all exploration was conducted, is at an altitude of 11,302 feet. Long winters and heavy snowfall do not favor year-around mining operations.

OWNERSHIP AND EXTENT

The U. S. Metals Corporation, formerly U. S. Oil and Development Corporation, subordinated the following group of lode claims which comprise the Henrietta mine:

Claim	Survey No.	Type
Henrietta	15526A	Patented lode
Mineral King	2051	"
Mineral Queen	1622	"
Lizzie	15520	"
Humbolt	15526A	"
Home Run	15526A	"
Narrow Gauge	15526A	"
Prosperity	18621	"
La Cross	18620	"
Tetrahedrite No. 1		Unpatented lode location
Tetrahedrite No. 2		"
Moodie No. 1		"
Moodie No. 2		"
C. L. M.		"

The patented claims are leased from the Blue Bird Mining and Milling Company (C. H. Groves, 722 Continental Oil Bldg., Denver, Colo.).

The Government retains royalty rights in the property until June 27, 1965.

HISTORY AND PRODUCTION

Very little is known of the early history of the property. It was discovered in the late 1800's and some work was done during the next few years. In 1900, the mine was reopened after some years of idleness. Prior to 1924, the property was known variously as the Henrietta Silver Mines Co., and the Henrietta Copper Mines, Company. In 1924, the companies were merged into the Golden Consolidated Mines Company which finally passed into the control of the present owner, Blue Bird Mining and Milling Co., of Denver, Colorado, who leased the property to U. S. Metals Corporation. There are no official records of production prior to 1951 available. Records show a production of 2,045.6025 tons of lead and zinc concentrates for the period of June 27, 1951 to February 11, 1954. There has been no other production to date. Records in the files of the Bureau of Mines, Division of Mineral Industries, Region III, Denver, Colo., indicate an average ratio of concentration of 9.3:1 for a total of 1,523 dry tons of crude ore. On this basis, production for the above period was about 15,300 tons of crude ore containing an estimated 0.005 ounce gold and 2.1 ounces silver a ton and 0.1 percent copper, 3.0 percent lead and 2.3 percent zinc. The mine has been inactive since the end of 1953.

GEOLOGY

Rocks in the eastern part of the Red Mountain district are andesite flows and breccias of the Silverton volcanic series that have been intruded by plugs and pipes of latite, rhyolite, and breccia. The plugs and pipes range from a few tens of feet to more than 2,000 feet across. Although fracturing is much more intense in and around the plugs and pipes, fissures are also abundant in the andesite. In places large bodies of rock are impregnated with finely divided pyrite and

alteration products typical of ore-forming solutions. Ore bodies occur as fillings of open spaces in the rock, or as replacement bodies in porous, altered wall rock along fissures. The most productive deposits have been nearly vertical, chimney-like ore bodies in or near breccia pipes and other volcanic plugs; they are roughly elliptical in outline. Within the breccia bodies the ore occurs as subsidiary chimneys, while along the fissures in the andesite it occurs in irregular bodies of fractured rock. Most of the chimney deposits are surrounded by an envelope of silicified country rock.

According to F. L. Ransome, in U. S. Geological Survey Bulletin No. 182 (1901), the Henrietta mine is in an area of andesite-breccia. The Henrietta vein strikes N. 40° E. and dips about 65° NW. The vein is in a well-defined fissure in which ore occurs in a brecciated zone 3 to 5 feet wide. Well-defined seams of gouge lie on the foot- and hanging-wall sides of the vein. Along the hanging wall there is a persistent seam of crushed wall rock and clay, and in some places, a little white quartz. The vein is filled by broken and altered andesite impregnated by pyrite. The ore occurs as stringers and bunches of pyrite and chalcopyrite with galena and sphalerite filling voids and partly replacing shattered wall rock within the breccia zones. Pyrite is abundant and often occurs in rather large solid masses. For at least 150 feet on either side of the vein the wall rock is impregnated with pyrite. Although there are local lenses of high-grade material, as a whole the ore is low grade. Two samples of the vein were taken by the operator in a 16-foot raise driven as part of the DMEA project. The average of the assays is reported to be 0.08 ounce gold and 10.2 ounces silver a ton, 3.32 percent

copper, 0.3 percent lead, and 0.2 percent zinc.

Between 450 and 550 feet from the portal, the walls of the 7th-level crosscut are highly silicified and irregularly fractured, some of the fractures containing small amounts of base metal sulfides. At a point about 510 feet from the portal the Surprise drift was driven 60 feet along one of the more strongly mineral-bearing fractures that strikes N. 30° W. (fig. 3). The amount of ore mined is unknown; a stope above the drift is caved and inaccessible. This fracture ended at the breast of the drift where it was cut off by another mineralized fracture that strikes almost due north. Under the contract this northerly trending fracture was followed by a drift for about 90 feet (fig. 3). The DMEA drift was sampled at 10-foot intervals as follows:

Sample No.	Width feet	Ounces per ton Au	Ounces per ton Ag	Percent Pb	Percent Zn	Percent Cu
WLD-13	4.4	<0.005	1.4	1.2	6.20	0.04
WLD-12	5.0	0.005	6.9	15.7	9.40	0.07
WLD-7	5.0	<0.005	5.0	7.3	15.70	0.07
WLD-6	3.5	<0.005	1.0	2.1	7.70	0.05
WLD-5	5.5	0.005	2.0	4.9	0.65	0.09
WLD-4	4.1	0.01	3.0	4.1	0.95	0.16
WLD-3	7.5	<0.005	1.4	2.6	1.80	0.05
Average	5.0	0.005	2.94	5.4	5.73	0.07

The entire 70 feet sampled contains sub-marginal lead-zinc ore with an average grade of 2.94 ounces silver per ton and 11.18 percent combined lead and zinc. Within this distance, samples WLD-6, -7, -12 and -13 indicate a core about 40 feet long and 4.5 feet wide containing 3.86 ounces silver per ton, 7.13 percent lead and 10.04 percent zinc. A stope on this ore has not been carried very high, but ore-grade material persists

to the back. This ore shoot is typical of the pipe or chimney-type deposits seen elsewhere in the Red Mountain district.

ORE RESERVES

No raising has been done in the Surprise ore shoot and it is impossible to estimate its vertical extent; however, each 100 feet of vertical extent is estimated to contain 2,700 tons of indicated and inferred ore, containing about 0.005 ounce gold, and 2.94 ounces silver per ton, 5.45 percent lead, 5.73 percent zinc, and 0.07 percent copper.

ORIGINAL PROGRAM AND MODIFICATIONS

The original DMA contract, dated June 27, 1951 provides for an estimated expenditure of $47,650.00. Work under the contract included the following:

(1) Rehabilitate about 1,600 feet of the Henrietta No. 7 tunnel and a certain raise from this level to the No. 1 tunnel level.

(2) Explore the Surprise vein, exposed in the Henrietta No. 7 tunnel, with 100 feet of drift.

(3) Provide for the purchase of new equipment, the repair of old equipment, and the installation of electric-power facilities.

The contract was amended 13 times as follows:

Amendments Nos. 1 thru 5 provided for a snowshed, change room, compressor and fan house, road construction, salary and wage changes and also extended the time of contract completion from 6 to 13 months.

Amendment No. 6 revised the contract and increased total expenditures from $47,650.00 to $113,638.34.

Exploration under the amended contract comprised:

(1) Construction and maintenance of access road from the Lark

mine road to the Henrietta No. 7 tunnel;

(2) Extension of the power transmission line from the main line, near the Lark mine, to the Henrietta No. 7 tunnel (approx. 1,000 ft.);

(3) Construction and maintenance of showshed, compressor house, change room and fan houses at the Henrietta No. 7 tunnel portal;

(4) Repair a company-owned HD Allis Chalmers tractor;

(5) Rehabilitation of approximately 1,600 feet of the Henrietta No. 7 tunnel;

(6) Rehabilitation of a 580-foot raise from the Henrietta No. 7 tunnel to the No. 1 tunnel for ventilation;

(7) Drifting on the Henrietta, Surprise or other veins an aggregate maximum of 700 feet;

(8) Raising or sinking on the Henrietta, and Surprise veins an aggregate maximum of 400 feet. The time of completion of the contract was extended to 24 months. Costs for the above work were estimated as follows:

Item	Description	Cost
1	Access road construction and maintenance	$2,126.74
2	Power line extension	384.58
3	Building construction and maintenance	3,829.98
4	Repairs to tractor	5,655.48
5	Rehabilitation of Henrietta No. 7 tunnel	42,547.12
6	Rehabilitation of 580 feet of raise	5,800.00
7	Drifting 700 feet	24,500.00
8	Raising or sinking 400 feet	16,000.00
	Equipment purchases	12,794.44
Total estimated cost of the project		$113,638.34

Effective date of contract amendment No. 6 was August 20, 1952. Because the Henrietta No. 7 tunnel was badly caved and could not be held open, a lateral drift was started in the east or foot wall, about 1180 feet in from the portal. This was approved by amendment No. 7. Amendments Nos. 7 and 8 authorized the rental and purchase of equipment. Amendment No. 9 extended

the completion date of the contract from 24 months to 30 months. Under amendment No. 10, work was suspended during the period June 4, 1953 to July 1, 1954. Under amendment No. 11, work was extended to Sept. 1, 1954. Under amendment No. 12 work was suspended for the period June 4, 1953 to July 1, 1955 and time for completion of the work was set at 54 months. Under amendment No. 13 the contract was further suspended to Sept. 1, 1955, and the period of royalty payments was set at 14 years, from the date of signing the contract. The contract was terminated by default under the suspension-termination clause of amendments 12 and 13, on August 5, 1955. The Government's share in exploration costs is protected for 14 years to June 27, 1965, by contract amendments 12 and 13.

WORK COMPLETED UNDER THE CONTRACT

Work under the contract (fig. 3) started on June 18, 1951, and stopped on December 17, 1953. During this period the following work was completed at the Henrietta mine, at an over-all cost of $78,175.06:

(1) The Henrietta No. 7 adit was rehabilitated for 1,450 feet. Much of the adit was badly caved; the ground was heavy, requiring spiling and pony sets.

(2) Part of the adit was so badly caved and the ground so heavy, that a lateral drift was driven in the east or foot wall of the vein and parallel to it. A total of 452 feet of lateral drift was driven.

(3) The Surprise drift was extended 92.5 feet northerly.

(4) A two-compartment, inclined raise was advanced 16 feet above the Henrietta No. 7 adit level to intersect the vein. This raise was originally circular and 5 feet in diameter.

(5) About 1,000 feet of powerline was installed between the main transmissionline and the Henrietta No. 7 portal.

(6) A 12 by 20 foot building was erected at the portal to house the compressor; a bunkhouse, the portal, and snowsheds were rehabilitated; and equipment was installed.

(7) Access roads were constructed from the main road to the Henrietta No. 7 portal and to the No. 1 adit level.

SUMMARY OF FACTUAL DATA

Exploration work was accomplished at an over all cost of $82,596.12, as approved by DMEA audit dated April 12, 1954. Cost data and units of work performed and allowed under the contract are tabulated as follows:

HENRIETTA MINE COST DATA

Description	Cost	Unit Cost
New buildings and improvements	$3,322.64	$3,322.64
Power line installation (1000 ft.)	384.58	384.58
Access roads	3,226.74	3,226.74
16 feet of raise from the No. 7 level	760.59	47.54 per ft.
1450 feet of No. 7 adit level rehabilitation	58,167.54	40.12 per ft.
452 feet of lateral drift	14,019.85	31.02 per ft.
92.5 feet of drift on the Surprise vein	2,714.18	29.34 per ft.

Total cost of exploration not including salvage rebate $82,596.12

The salvage value of equipment has been established as $4,421.06. This amount will reduce the above costs of underground exploration, the reductions to be allocated as follows:

1 percent to the cost of raising, 72 percent to drift rehabilitation, 22 percent to lateral drifting, and 5 percent to drifting on the Surprise vein.

In consideration of the above salvage-value distribution, exploration costs are adjusted as follows:

Adjusted exploration costs - Henrietta mine

Description	Cost	Unit Cost
New buildings and improvements	$3,322.64	$3,322.64
Powerline installation (1000 ft.)	384.58	384.58
Access roads	3,226.74	3,226.74
16 feet of inclined raise from the No. 7 level	716.38	44.77
1,450 feet of No. 7 level drift rehabilitation	54,984.38	37.92
452 feet of lateral drift on the No. 7 level	13,047.22	28.86
92.5 feet of drift on the Surprise vein	2,493.12	

Total cost of exploration, including salvage rebate (not yet collected) $78,175.06

Government participation of 50 percent is $39,087.53.

During the period June 27, 1951 to February 11, 1954 a total of 2,045.6025 dry tons of lead and zinc concentrates were produced from the property, and are subject to DMEA royalty payments. Total royalties due the Government are $3,578.37. Royalties paid to date total $1,522.70. The balance of $2,055.67, plus the Government's share in salvage value of equipment is now collectable. Collection will be demanded through the Office of the U. S. Attorney General.

DISCUSSION OF CONCLUSIONS AND RECOMMENDATIONS

The property was not accessible for examination by the writers. Further exploration of the property by more responsible parties is still warranted. The applicant was hampered by serious financial difficulties. Since the prime objectives of the exploration program were not reached, further exploration of the property, at some future date, remains just as attractive a project as when first considered by DMEA.

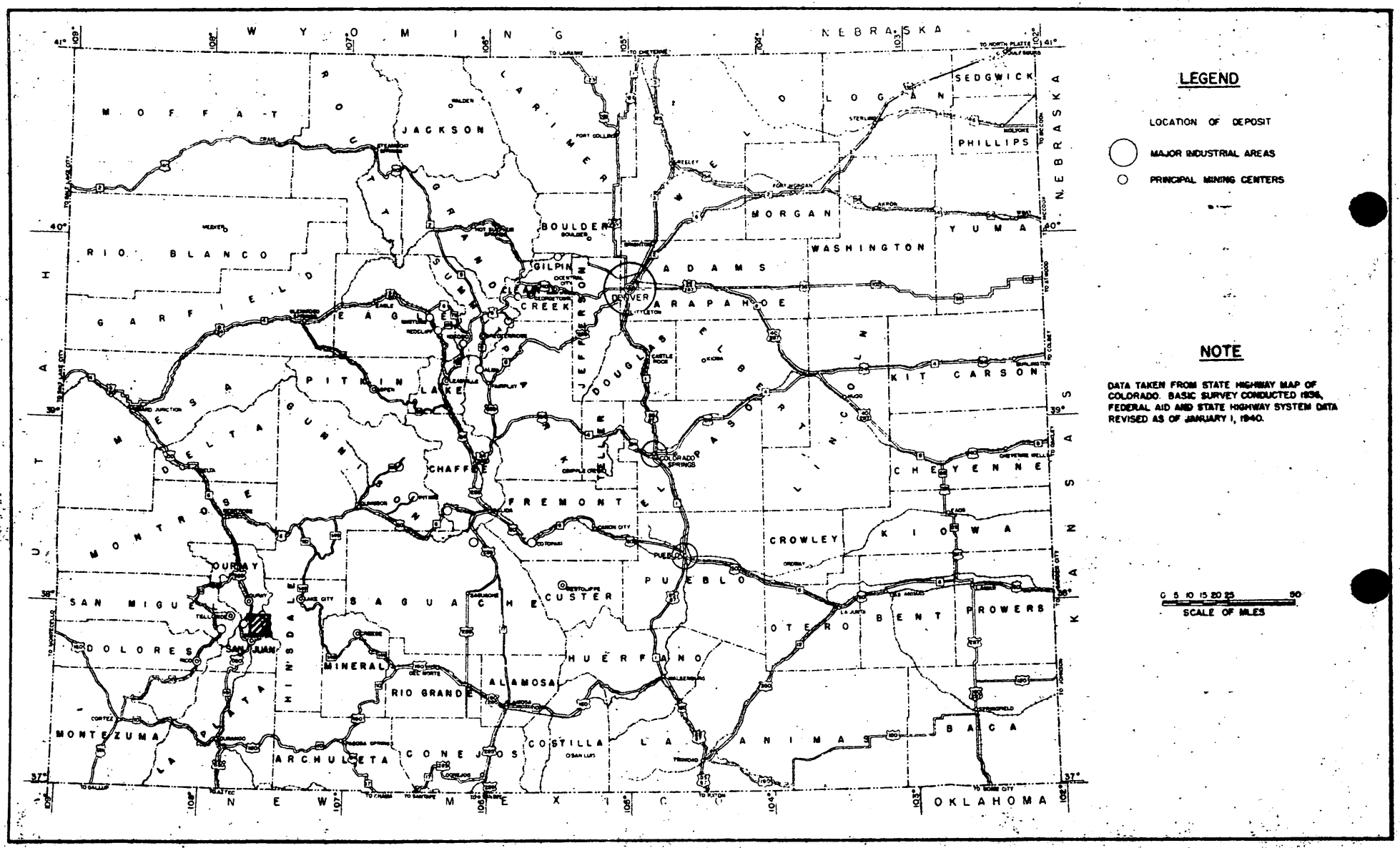

FIGURE 1 - LOCATION MAP, HENRIETTA MINE, U.S. METALS CORP., SAN JUAN COUNTY, COLO. DMA-606, CONTRACT Idm-E 29

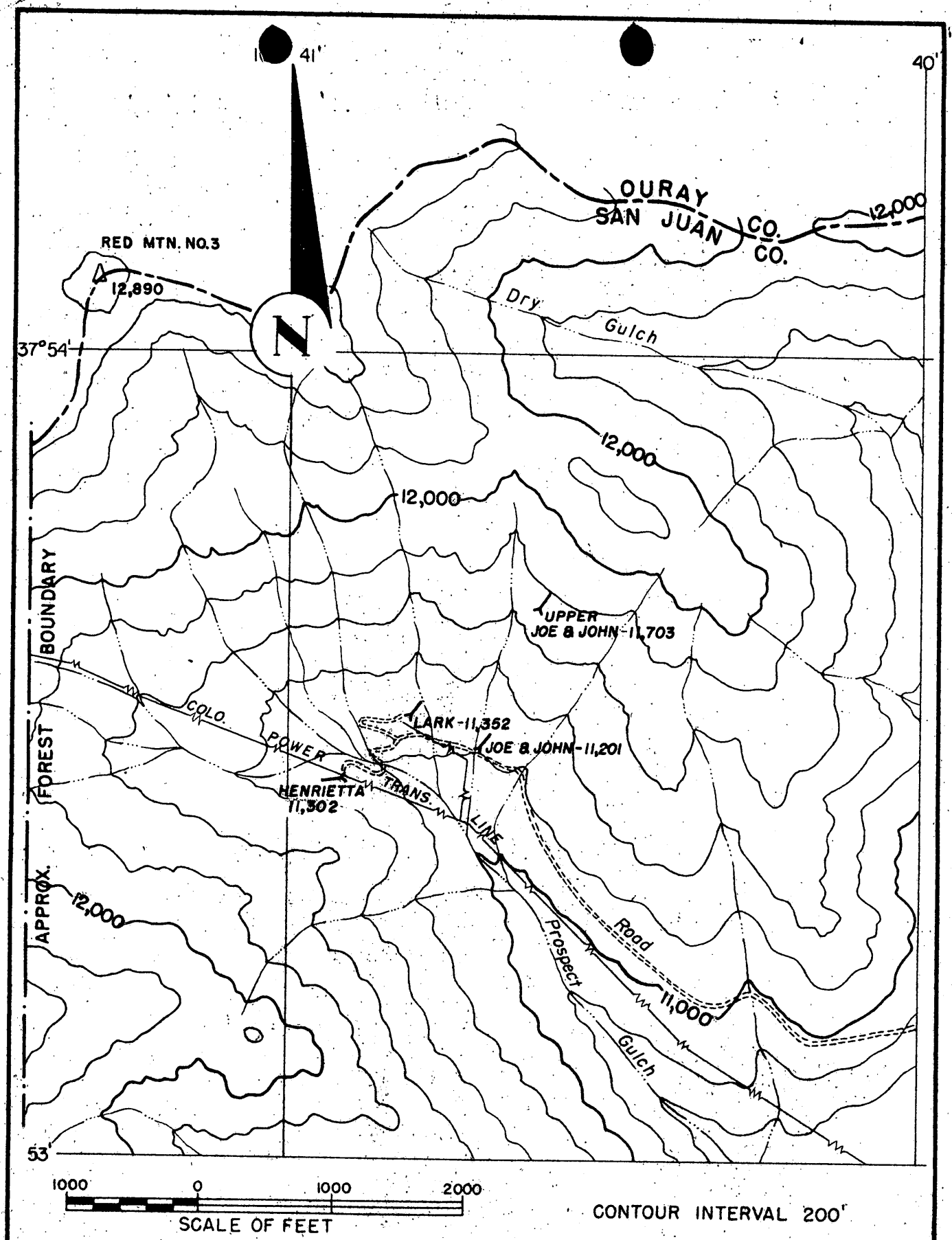

FIG. 2-SURFACE MAP, HENRIETTA MINE, U.S. METALS CORP, SAN JUAN COUNTY, COLO.
DMA 606, CONTRACT Idm-E 29

OFFICIAL FILE COPY
DMEA
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DATE	INITIALS	CODE

224 New Customhouse
Denver 2, Colorado

June 14, 1957

6/17 C 220
6/18 800
225

Messrs. Carl H. Peterson
and Walter A. Falk
206-8 Mercantile Building
Denver 2, Colorado

Re: Docket No. DMA 606 (Lead-Zinc)
Contract No. I-DMA-E29
U. S. Metals Corporation
(Henrietta mine)
San Juan County, Colorado

Gentlemen:

By letter of April 22, 1957, we requested certain additional data to supplement your final engineering and geologic report pertaining to work completed under the subject Contract. We also requested advice by return mail as to the date on or before which we could expect to receive the data.

Since considerable time has elapsed and we have heard nothing from you, we are again requesting the courtesy of being advised by return mail as to the date on or before which we can expect to receive the requested supplemental data.

Very truly yours,

Original signed by
W. H. KING

W. H. King
Executive Officer, DMEA
Field Team, Region III

JWT:prl

cc: Chmn.Op.Comm.-2
Harshman
DMEA/DFC
Townsend
Corres. file
Chron.

8488
RSW/is

606

OFFICIAL FILE COPY
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6/17 | C | 120
800
925

June 11, 1957

Mr. Carl H. Peterson
Mr. Walter A. Falk
206-8 Mercantile Building
Denver 2, Colorado

Re: U. S. Metals Corporation, Denver, Colorado
DMEA Claims

Gentlemen:

On May 2, 1957 we wrote to Mr. Peterson, advising that the payment of $500 due on April 3, 1957 had not been received. On May 20, 1957 the undersigned talked to Mr. Peterson by telephone and was advised that a check for $500 would be sent to this office within a week or ten days. We have not as yet received that payment. On July 3, 1957 another $500 payment will become due.

Since the matter has been settled amicably thus far, we find it distasteful to think about resorting to legal action to enforce the terms of the agreement. Your failure to pay, if continued, will leave us no alternative, and we must, therefore, demand that the amount of $500 be paid forthwith and that the balance of the terms of the settlement be strictly observed.

Very truly yours,

DONALD E. KELLEY
United States Attorney

By: ROBERT S. WHAM
Asst. U. S. Attorney

cc: DMEA, Room 224, New Custom House Building

Protock to
Hanstman (2)
Townsend (2)
Chain Opr Comm (1)
DMEA / DFC (2)
Royalty E 29
Royalty E

DMEA
DEPARTMENT OF THE INTERIOR
JUN 12 1957
REGION III
DENVER, COLORADO

8488

RSW/la

DMEA
DEPARTMENT OF THE INTERIOR
MAY 3 - 1957
REGION III
DENVER, COLORADO

May 2, 1957

Mr. Carl H. Peterson
206-8 Mercantile Building
Denver, Colorado

Tim-E 29 Dkt 606
Idm-E 309 Dkt 1870

Re: U. S. Metals Corporation, Denver, Colorado
DMEA Claims

Dear Mr. Peterson:

This is to remind you that you and Mr. Walter Falk agreed to pay $500 on April 3, 1957 to apply on the indebtedness of the U. S. Metals Corporation to the Government.

We have not received this payment and it is necessary that payment be made immediately. We will expect your check by return mail.

Very truly yours,

DONALD E. KELLEY
United States Attorney

By: ROBERT S. WHAM
Asst. U. S. Attorney

cc: DMEA, Room 224, New Custom House Building, Denver 2, Colorado

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DMEA
RECEIVED MAY 6 1957

DATE	INITIALS	CODE
5/6		220
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5/3/57
Copies distributed to:
Chrmn. of B. Comm. (2)
Royalty File, Reg. IV (2)
Carred. File, Reg. IV (2)
Harshman (2)
Konselman (2)
Townsend (2)

OFFICIAL FILE COPY DMEA RECEIVED APR 24 1957		
DATE	INITIALS	CODE
4/24	C	220
4/25	[illegible]	800
		225

224 New Customhouse
Denver 2, Colorado

April 22, 1957

Mr. Carl H. Peterson
206 Mercantile Building
1031 - 15th Street
Denver, Colorado

Re: Docket No. DMA 606 (Lead-Zinc)
Contract No. I-DMA-E29
U. S. Metals Corporation
(Henrietta mine)
San Juan County, Colorado

Dear Mr. Peterson:

Reference is made to the narrative report submitted by you under date of April 11, 1957 as a final engineering and geologic report pertaining to work completed under Contract No. I-DMA-E29.

The final engineering and geologic report, to be considered acceptable as provided for under article 13 of the Contract, must be accompanied by a map or maps showing the work completed, the location and results of any samples taken, and an estimate of the tonnage and grade of ore reserves, if any were developed as a result of the DMEA exploration work.

We will appreciate advice by return mail as to the date on or before which we can expect to receive five copies of the progress map and an estimate of ore reserves, for attachment to the copies of your narrative report.

Very truly yours,

Original signed by
E. N. HARSHMAN

E. N. Harshman
Acting Executive Officer
DMEA Field Team, Region III

JWT:prl

cc: Chairman, Op. Comm. (2)
Harshman
Shaw
Townsend
Corres. file
Chron.

Uranium Base Metals Rare Metals

CARL H. PETERSON

Office:
206-8 Mercantile Bldg.
Denver, Colorado
Tel. MAin 3-0231

February 19 1957

DMEA
DEPARTMENT OF THE INTERIOR
FEB 20 1957
REGION III
DENVER, COLORADO

Home:
4307 Tejon
Denver, Colorado
Tel. GRand 7-4791

Mr. E. N. Harshman
Acting Executive Officer
DMEA Field Team, Region 111
224 New Customhouse
Denver 2, Colorado

RE: Docket DMA 606 (Lead-Zinc)
Contract Idm-E29

Docket DMEA 1870 (Lead-Zinc)
Contract Idm-E309

Dear Mr. Harshman:

On January 7th you wrote us a letter regarding the above capitoned subject.

The only one in our organization who can answer these two letters is Walter W. Bentley who was the last man to operate the mines, but he will not be here until about the 10th of March, at which time we shall ask him to take care of these matters.

Very truly yours,

Carl H. Peterson

Carl H. Peterson

CHP;w

2/20/57
Copies distributed
Washington Office (4)
Harshman (2)
Shaw (2)
Townsend (2)
Corres. E 29
Corres. E 309

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UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
Washington 25, D. C.

224 New Customhouse
Denver 2, Colorado

Date: February 12, 1957

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Semiannual Report of Certified Project for the period July 1, 1956 through December 31, 1956
DMEA Docket 606 (Lead-Zinc)
Contract Idm-E 29, U. S. Metals Corporation (Henrietta Mine), San Juan County, Colorado

Enclosed are the original and three copies of the subject report prepared in conformance with instructions contained in memorandum of January 6, 1956 from this office, ~~and~~ Memorandum 29, and Special Notice in Minutes of Operating Committee Meeting No. 692.

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

Enclosures
MHM/vj
cc: Semiannual Report File E 29
J. F. Shaw (2)
Harshman
Chron.

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DMEA
RECEIVED FEB 18 1957

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DMEA
DEPARTMENT OF THE INTERIOR
FEB 8 1957
REGION III
DENVER, COLORADO

DMEA, REGION III

STATEMENT IN LIEU OF SEMIANNUAL REPORT

Reporting Period July 1, 1956 to December 31, 1956
Docket and Contract Number DMA 606, Idm-E29
Operator U. S. Metals Corp. (Henrietta mine)

	"X" one
The project has been inactive during the reporting period	X
Pertinent data relative to the subject contract has remained unchanged since the last report	

Remarks:

None

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DATE	INITIALS	CODE

Signed Edward W. Buel
Edward W. Buel

Date
January 31, 1957

DMEA File Copy

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

Chambers
Griswold
Selfridge
Johnson
Mittendorf

N.S. w/ R.& P.

Rewritten by: Rubin Dwyer

JAN 31 1957

Hon. Herbert Brownell, Jr.
Attorney General
Washington 25, D. C.

Dear Mr. Attorney General:

The Defense Minerals Exploration Administration of this Department has asked me to express its appreciation to you and to the United States Attorney at Denver, Colorado, for the settlement of the Government's claim against the W. S. Metals Corporation under Exploration Project Contracts Idm-E29 (Docket No. DMA-606) and Idm-E309 (Docket No. DMEA-1870).

Sincerely yours,

J. Reuel Armstrong

Solicitor

JLChambers/HCRubin/cmd
1/29/57

Copy to: Solicitor's Docket (2)
DMEA Docket (2) (DMA-606, DMEA-1870)
Adm. Reading File, DMEA
Field Team, Region III (2)
W. R. Griswold, DMEA
J. L. Chambers, DMEA
R. P. Dwyer
H. C. Rubin
chron.
pending

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

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DMEA
RECEIVED JAN 31 1957

DATE	INITIALS	CODE
1-31	C	220
1/31	[illegible]	800
		225

224 New Customhouse
Denver 2, Colorado

January 28, 1957

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMA 606 (Lead-Zinc), U. S. Metals Corporation (Henrietta Mine), San Juan County, Colorado, Contract Idm-E29

Docket DMEA 2870 (Lead-Zinc), U. S. Metals Corporation (Joe and John Mine), San Juan County, Colorado, Contract Idm-E309

Enclosed is the Operator's check for $500.00 rendered in conformance to the written directive of November 28, 1956 to Carl H. Peterson by Mr. Donald E. Kelley, United States Attorney. For your information we enclose two copies of the directive.

As stated by Mr. Kelley in a letter dated January 21, 1957 to the Solicitor, U. S. Department of the Interior, two copies of which we also enclose; payments so made by the Operator should be applied last to the earned royalty item. Accordingly, we request that the amount of $500.00 be apportioned to the listed items of the two captioned Contracts as follows:

Item	Payable to Government	Apportionment of Enclosed Check
Contract E29		
Overpayment	$ 361.86	$361.86
Property Liquidation	4,735.53	57.75
Royalty	2,055.67	None
Contract E309		
Overpayment	72.56	72.56
Property Liquidation	641.79	7.83
Total Payable	$7,867,41	
Total Paid		$500.00
Balance Due	$7,367.41	

The next payment of $500.00 from the Operator will be due on or before April 3, 1957.

MHM/vj

Original signed by
W. M. TRAVER

W. M. Traver

cc: Corres. Files E29 - E309
Chair. Opr. Comm. E29(2)-E309(2)
Harshman (2)
Shaw (2)
Townsend (2)
Marshall (2)
Chron.

OFFICIAL FILE COPY
D M E A
RECEIVED JAN 31 1957

DATE	INITIALS	CODE

C
O
P
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November 28, 1956

Mr. Carl H. Peterson
206 Mercantile Building
1031-15th Street
Denver, Colorado

Re: U. S. Metals Corporation - Department of Interior Claim

Dear Mr. Peterson:

After our conference at this office of last Friday, November 23, 1956, also attended by Mr. Falk, I discussed our conversation with Mr. Traver of the DMEA. I explained to him that you and Mr. Falk had verbally agreed that upon acceptance of the proposed settlement submitted on behalf of the U. S. Metals Corporation, that in addition to the $500 already submitted by certified check, you and he would liquidate the balance due as follows:

Payment of $500 three months after acceptance of the settlement;
Payment of $500 five months after acceptance of the settlement;
Payment of $500 seven months after acceptance of the settlement;
Balance due nine months after acceptance of the settlement.

Upon discussing the matter with Mr. Traver, we both determined that it would be desirable if you and Mr. Falk would advise us in writing that the above payments to be made by you upon acceptance of the offer should be applied first to items other than earned royalty and lastly to earned royalty.

If you and Mr. Falk will prepare such a letter and forward it to this office, in duplicate, I am sure it will be a very helpful step in getting this matter disposed of promptly.

Very truly yours,

DONALD E. KELLEY
United States Attorney

CY TO
FINANCE OFFICE (2)
CHAIRMAN OWRT (4)

By: ROBERT S. WHAM
Asst. U. S. Attorney

Form 7
-56)

OFFICIAL FILE COPY

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1/25	Talbert	800
1/25	cw	~~220~~
		225

JAN 25 1957

Mr. W. H. Trover
Executive Officer
DMEA Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Re: Docket No. DMEA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-829

and

Docket No. DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe and John Mine
San Juan County, Colorado
Contract No. Idm-8309

Dear Mr. Trover:

Enclosed herewith for deposit in the usual manner is check No. 343 of Carl H. Peterson & Associates certified by the Citizens State Bank, Durey, Colorado, payable to the U. S. Treasury Department, together with a copy of a receipt No. 47905, and a letter dated January 21, 1957, from the Assistant United States Attorney of Denver, Colorado, covering a payment on account in the amount of $500.00.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosure

EDTalbert/wb
January 25, 1957

Copy to: Docket (2)
Admr. Reading File
Mr. Griswold
Mr. Chambers

8623

C
O
P
Y

In Reply Refer To
8488
RSW/ls

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES ATTORNEY
DISTRICT OF COLORADO
348 POST OFFICE BUILDING
DENVER 1, COLORADO

January 21, 1957

U. S. Department of Interior
Washington 25, D. C.

Attention: Solicitor

Re: U. S. Metals Corporation, Denver, Colorado
Department of Interior Claims in connection
with mineral exploration contracts

Dear Sirs:

Enclosed please find certified check of Walter A. Falk and Carl H. Peterson in the amount of $500.00, representing the first payment upon the obligation due from U. S. Metals Corporation, under the settlement in regard to which you have had correspondence with the Department of Justice.

Under the terms of the settlement, the entire obligation of the U. S. Metals Corporation is $7,867.41, upon which the enclosed check is a partial payment. Further, under the terms of the settlement an additional $500.00 payment will be due on or before April 3, 1957, an additional $500.00 on or before June 3, 1957, an additional $500.00 on or before August 3, 1957 and the balance of $5,867.41 will be due on or before October 3, 1957.

We have received a letter signed by Carl H. Peterson and Walter A. Falk to the effect that the payments so made should be applied last to the earned royalty item. In this regard, your attention is directed to the fact that such royalties are collectible also from the Bluebird Ming and Milling Company under the owner's consent to lien executed by that company in connection with the DMEA contract.

Very truly yours,

DONALD E. KELLEY
United States Attorney

/s/ Robert S. Wham

By: ROBERT S. WHAM
Asst. U. S. Attorney

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

224 New Customhouse
Denver 2, Colorado

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1/28	[illegible]	800
January	25, 1957	
		225

Mr. Robert S. Wham
Assistant U. S. Attorney
348 Post Office Building
Denver 1, Colorado

Re: 8488
RSW/ls

U. S. Metals Corporation,
Denver, Colorado -
Department of the Interior Claims
in Connection with Mineral
Exploration Contract,
Docket No. DMA 606,
Contract No. Idm-E29; and
Docket No. DMEA 1870,
Contract No. Idm-E309

Dear Mr. Wham:

Thank you for your letter of January 21, 1957, forwarding copies of correspondence between your office and Mr. Peterson and Mr. Falk of U. S. Metals Corporation, concerning the above captioned matter.

We will appreciate being advised by you each time a payment is received, as agreed upon in the correspondence forwarded.

Very truly yours,

Original signed by
W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

JWT:prl
cc: Chairman, Op.Comm.(4))
Harshman (2))
Shaw (2)) w/copies of correspondence
Townsend (2)) forwarded by Assistant
Corres. (2)) U. S. Attorney.
Corres. E309)
Chron.

DMEA
DEPARTMENT OF THE INTERIOR
JAN 22 1957
REGION III
DENVER, COLORADO

IN REPLY REFER TO

8488

RSW/ls

United States Department of Justice

UNITED STATES ATTORNEY
DISTRICT OF COLORADO
348 POST OFFICE BUILDING
DENVER 1, COLORADO

January 21, 1957

Mr. W. M. Traver
DMEA, Department of Interior
Room 224, New Custom House
Denver, Colorado

Idm-E 29
Idm-E 309

Re: U. S. Metals Corporation - Department of Interior claims in connection with minerals exploration contracts

Dear Mr. Traver:

Pursuant to our telephone conversation of January 18, 1957, enclosed please find copies of correspondence between this office and Mr. Peterson and Mr. Falk, concerning the above-captioned matter.

Very truly yours,

DONALD E. KELLEY
United States Attorney

Robert S. Wham

By: ROBERT S. WHAM
Asst. U. S. Attorney

Enclosures

OFFICIAL FILE COPY
DMEA
RECEIVED JAN 28 1957

DATE	INITIALS	CODE

CARL H. PETERSON

C
O
P
Y

December 18, 1956

Mr. Robert S. Wham
Assistant United States Attorney
348 Post Office Building
Denver 1, Colorado

Re: 8488
RSW/ls

Dear Mr. Wham:

Your letter of November 28, 1956 was on my desk when I returned to the office.

The payments as outlined in this letter are exactly as agreed on and it will be satisfactory to apply the last payment to the royalty as it all has to be paid one way or another.

I am signing this letter and will forward it to Mr. Falk for his signature.

Very truly yours,

/s/ Carl H. Peterson

/s/ Walter A. Falk

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

January 3, 1957

Mr. Carl H. Peterson
206-8 Mercantile Building
Denver, Colorado

Re: U. S. Metals Corporation, Denver, Colorado
DMEA claims

Dear Mr. Peterson:

Your letter of December 18, 1956 signed by yourself and Mr. Walter A. Falk, stipulating that payments be applied last to earned royalty, is acknowledged and your compromise offer is hereby accepted.

In accordance with our letter to you of November 28, 1956, we are processing the $500 check submitted October 8, 1956, and will expect another payment of $500 three months from today, the date of acceptance of settlement.

We are enclosing Official Receipt No. 47905 covering the $500 payment mentioned above.

Thank you for your cooperation.

Very truly yours,

DONALD E. KELLEY
United States Attorney

By: ROBERT S. WHAM
Asst. U. S. Attorney

Enclosure

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

EXTRA COPY DMEA RECEIVED JAN 9 1957		
DATE	INITIALS	CODE
1/9	ORH	500

224 New Customhouse
Denver 2, Colorado

January 7, 1957

Mr. Carl H. Peterson
206 Mercantile Building
1031 Fifteenth Street
Denver, Colorado

Re: Docket DMA 606 (Lead-Zinc) Contract Idm-E29
U. S. Metals Corporation (Henrietta Mine)
San Juan County, Colorado

Dear Mr. Peterson:

Under the provisions of article 13 of the referenced contract, item 4(b) of Amendment 10 dated February 15, 1954 and item 5(b) of Amendment 12 dated November 1, 1954, you are required, after termination of the contract, to submit a comprehensive final geologic and engineering report relative to the authorized work completed thereunder.

Your report should be submitted as promptly as possible after completion of the work or termination of the contract, regardless of the status of other matters, the resolution of which are ordinarily a prerequisite of closing the account.

We will appreciate early receipt of five copies of the report or advice by return mail as to the date we may expect compliance with the requirements.

Very truly yours,

Original signed by
E. N. HARSHMAN

E. N. Harshman
Acting Executive Officer,
DMEA Field Team, Region III

WMT:bh
cc-Chair., Op. Comm. (2)
Harshman
Shaw
Townsend
Corres. File E-29
Chron.

File Copy
Surname
Griswold
Selfridge
Fellman
Waterbury

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

500

Mr. W. H. Traver
Executive Officer
DMEA Field Team, Region III
22h New Customhouse Bldg.
Denver 2, Colorado

Re: Final Field Team Reports for DMEA Docket Nos. DMEA-1 & 1A, DMEA-171, DMEA-371, DMEA-606, DMEA-1098, DMEA-1525, DMEA-1870, DMEA-2028, DMEA-2653 and DMEA-2991

Dear Mr. Traver:

The following projects have been concluded or terminated for a considerable period of time and we have received no final Field Team reports covering project results. In certain instances, as noted below, the final Operator's report is also lacking.

It may be that in certain cases final Field Team reports have been delayed pending property settlements and final audits. However, we can see no reason for such delay; actually the final report from the Field Team is not considered as being an exact financial statement. We must depend upon our Contract Administration and Audit Division for our final and precise data on expenditures.

In cases where final precise figures are not available, it would be sufficient if it was so noted in your final report, with an additional notation that such unit and over-all costs which you might have quoted were subject to minor revisions, depending upon matters of final settlement.

DMEA-1 & 1A - Chief Consolidated Mining Company
(Final Operator's Report also due)
Terminated January 30, 1956.

DMEA-171 West Park Mining Company
Terminated February 13, 1956.

DMEA-371 Peru Mining Company
(Final Operator's Report also due)
Terminated November 1, 1955.

Griswold

DMEA-606 U. S. Metals Corporation
(Final Operator's Report also due)
Terminated September 1, 1955.

DMEA-1098 Combined Metals Reduction Company
Terminated July 9, 1956.

DMEA-1525 Moreno Uranium Corporation
Terminated July 1, 1955.

DMEA-1870 U. S. Metals Corporation
(Final Operator's Report also due)
Terminated September 1, 1955.

DMEA-2028 U. S. Smelting, Refining and Mining Company
Concluded December, 1955.

DMEA-2653 U. S. Smelting, Refining and Mining Company
Concluded November, 1955.

DMEA-2991 Shenandoah-Dives Mining Company
Terminated September 9, 1955.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (S/S)

WRGriswold/mr 12/10/56
Copy to: Docket (10)
Admr R File
Op. Committee
Base Metals (10)
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

APPROVED:

Frank D. Lamb
Member, Bureau of Mines (S/S)

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

mcl:

GCD:RK
77-13-326

DMA-606

Department of the Interior
Washington 25, D. C.

DEC 7 1956

Attention: Solicitor

Re: U. S. Metals Corporation
Denver, Colorado
Department of Interior claims in connection with minerals exploration contracts.

Dear Sirs:

This refers to your letter of October 30, 1956, advising that amounts proposed by the debtor for settlement of the items involved were satisfactory except that the royalty indebtedness may have increased since February 11, 1954.

There is enclosed a copy of a self-explanatory letter dated November 28, 1956, received from the United States Attorney.

Although the plan of liquidation proposed by the debtor involves less than the minimum sum of $350.00 per month suggested by you, apparently it contemplates full payment over a shorter period than would be achieved under such monthly payments. Accordingly, we will be guided by the United States Attorney's opinion that the arrangement proposed by the debtor should be allowed.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:
George F. Foley
Chief, Government Claims Section

Enclosure

cc: Donald E. Kelley, Esquire
United States Attorney
Denver 1, Colorado
Your ref: 8488 RSW/ls

FILE COPY
Surname:

Chandler
Selfridge
Burford
Mattinson
Orton
Dwyer

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

N.S. in A.R.

OCT 30 1956

Mr. George Cochran Doub
Assistant Attorney General
Civil Division
Department of Justice
Washington 25, D. C.

Dear Mr. Doub:

Reference is made to your letter (your file reference GCD:RK 77-13-326) transmitting a copy of a letter dated October 10, 1956, from Donald E. Kelley, United States Attorney, in regard to a claim against the U. S. Metals Corporation for certain indebtedness on Projects Nos. Idm-E29 and Idm-E309.

The letter submitted a proposition from Carl H. Peterson, secretary of the U. S. Metals Corporation, offering to settle for the following amounts:

Liquidated amounts representing earned royalty, overpayments, and agreed purchase price of equipment	$5,342.41
Salvage value of unexpended supplies	250.00
Salvage value of pipe and track	1,900.00
Salvage value of buildings and improvements	375.00
Total	$7,867.41

Included in the first item was royalty in the amount of $2,055.67, balance due on the royalty account from June 27, 1951, to February 11, 1954. This item may have increased since February 11, 1954, in which case additional royalty would be due the Government. The amounts otherwise are all acceptable.

The Government will be glad to extend time of payment of this account so that the hardship on the company will be somewhat lightened, but it believes that a minimum of $350.00 per month should be collected. The Department will approve any terms of settlement made along this line by the United States Attorney who may handle the case.

Sincerely yours,

J Reuel Armstrong
Solicitor

JLChambers/wb
October 23, 1956

Copy to: Solicitor's Docket (2)
DMEA Docket (2) (DMA-606, DMEA-1870)
Admr. Reading File, DMEA
Field Team, Region III (2)

W. R. Griswold, DMEA
J. L. Chambers, DMEA
R. P. Dwyer

mch

GCD:RK
77-13-326

RECEIVED
OCT 19 1956

Department of the Interior
Washington 25, D. C.

Attention: Solicitor

Re: U. S. Metals Corporation, Denver, Colorado
Department of the Interior claims in connection with minerals exploration contracts.

Dear Sirs:

This refers to your letter of April 2, 1956, referring the above claims to the Department.

There is enclosed a copy of a self-explanatory letter dated October 10, 1956, received from the United States Attorney.

We would appreciate a reasoned expression of your views regarding the offer made by Mr. Petersen on behalf of U. S. Metals Corporation.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

Enclosure

C
O
P
Y

8488
RSW/ls

October 10, 1956

Civil Division
Department of Justice
Washington 25, D. C.

Attention: Mr. George F. Foley, Chief
Government Claims Section

Re: U. S. Metals Corporation, Denver, Colorado
Department of Interior claims in connection
with minerals exploration contracts

Gentlemen:

On August 7, 1956 a conference was held by the officials of the U. S. Metals Corporation, representatives of the DMEA, and Mr. Robert D. Inman of this office at which time the officials of the U. S. Metals Corporation stated there was no dispute over the amount of the unpaid royalty due, ($2,055.67), the overpayment made by the Government, ($361.86), and amounts due on the government's share of the first two lots of equipment, ($1,431.44 and $779.12, respectively), all under contract I-DMA-E29, nor the overpayment by the Government ($72.56), and the price of the purchase from the Government by the operator of a share of equipment used on the project, ($641.79), under contract Idm-E309). All of the above "liquidated" or admitted amounts total $5,342.41.

As to the Government's 50% interest in the salvage value of certain equipment and certain unexpended supplies under contract I-DMA-E29, it was arranged that Mr. Carl H. Peterson would attempt to supply the Government with an inventory of those items which were on hand and in which the Government has an interest in the contract.

Another conference was held on September 26, 1956 between Mr. Peterson, secretary of U. S. Metals Corporation, Mr. Traver and Mr. To wnsend of DMEA, and the undersigned, at which time Mr. Peterson stated that he had been to Silverton, Colorado, and had found that the garage in which the unexpended supplies and equipment were stored had been broken into and all of the contents stolen. He, therefore, stated that he was unable to supply an inventory and would have to abide by whatever the DMEA figures showed was on hand.

As part of the conference, Mr. Peterson offered to pay $250 for the Government's interest in the unexpended balance of supplies. He further offered to pay to the Government as salvage value of the equip-

ment the following amounts:

1. Upon the items of pipe, track, and vent tubing in the mine, the item of vent tubing was discarded. The DMEA officials agree that it would have no salvage value. Upon the balance, Mr. Peterson offered to pay the Government for its interest the sum of $1900.00.

2. Upon the item of surface buildings and improvements, Mr. Peterson offered to pay the Government for its interest the sum of $375.00.

The total amount offered by Mr. Peterson in settlement of this entire matter is, therefore, as follows:

Liquidated amounts representing earned royalty, overpayments, and agreed purchase price of equipment	$ 5,342.41
Salvage value of unexpended supplies	250.00
Salvage value of pipe and track	1,900.00
Salvage value of buildings and improvements	375.00
Total	$ 7,867.41

The above offer is made by Mr. Peterson in order to liquidate the amount due with the view of paying the same off by substantial monthly installments. We are advised that Mr. Traver and Mr. Townsend of the DMEA feel that the offer should be accepted and this office recommends acceptance of the same in view of the difficulty of proof which would be involved in attempting to establish the amounts due in Court.

We would appreciate your early consideration and advice upon the acceptability of the above proposal.

Very truly yours,

DONALD E. KELLEY

By: ROBERT S. WHAM
Asst. U. S. Attorney

C
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Y

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
Washington 25, D. C.

RECEIVED
SEP 24 1956

224 New Customhouse
Denver 2, Colorado

Date: September 19, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Semiannual Report of Certified Project for the period January 1, 1956 through June 30, 1956
DMEA Docket 606 (Lead-Zinc)
Contract Idm-E 29, U. S. Metals Corporation
(Henrietta Mine), San Juan County, Colorado

Enclosed are the original and three copies of the subject report prepared in conformance with instructions contained in memorandum of January 6, 1956 from this office~~, and~~ Memorandum 29., and Special Notice in Minutes of Operating Committee Meeting No. 692.

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

Enclosures
MHM/vj
cc: Semiannual Report File E 29
J. F. Shaw (2)
E. N. Harshman
Chron.

RECEIVED
SEP 24 1956
DMEA
DEPARTMENT OF THE INTERIOR
SEP 10 1956
REGION III
DENVER, COLORADO

DMEA, REGION III

STATEMENT IN LIEU OF SEMIANNUAL REPORT

Reporting Period Jan. 1, 1956 to June 30, 1956
Docket and Contract Number DMA 606, Contract Idm-E29
Operator U. S. Metals Corporation

	"X" one
The project has been inactive during the reporting period	[x]
Pertinent data relative to the subject contract has remained unchanged since the last report	[x]

Remarks:

The project was shut down on Dec. 17, 1953 and there has been no activity to date. There are no plans for future operation.

C. M. Harrer

Signed C. M. Harrer Date Sept. 5, 1956

Docket copy
Surname
Talbert
Chambers
Finch
H Johnson
Whitehorn

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

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc-Copper)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Ldm-529

Dear Mr. Traver:

By memorandum dated August 9, 1956, you (1) advise of a meeting with Robert B. Inman, Assistant United States Attorney, in regard to the referenced Operator's indebtedness to the Government; (2) state that you cannot reconcile the amount of $8,462.53 as being the cost of "Surface Buildings", "Improvements", and "Initial Rehabilitation and Repairs", as listed in your letter of November 21, 1955, to the Operator; and (3) request advice as to whether these quoted categories should be considered as a part of the costs subject to liquidation procedures.

The amount of $8,462.53 does not pertain to the costs of buildings, improvements or initial repairs. As stated in the Solicitor's letter of April 2, 1956, this sum is the cost of "certain supplies", part of which may have been unexpended as of December 28, 1953. The costs represent the first two items and the last four items listed under Category (3), Operating Materials and Supplies on page 4 of the 3rd Interim Audit Report prepared by Donald T. Finch, DMEA Auditor, on April 12, 1954.

In the preparation of the matter of this Operator's indebtedness for referral to the Attorney General consideration was given to the value of "Surface Buildings" and "Improvements", consisting of a snowshed, change room, compressor-fan house and a power line extension. It was concluded that these items, considering their nature and the remote location, probably were worthless insofar as salvage was concerned. No consideration was given to the value of "Initial Rehabilitation and Repairs", because the contract does not provide for either salvage or disposition of the property rehabilitated or repaired, in this case a tractor-dozer.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (GCS)

APPROVED:

FRANK D. LAMB (GCS)
Member, Bureau of Mines

N. E. Nelson (GCS)
Member, Geological Survey

Mr. Chambers
Mr. Finch
Mr. Bishop
Mr. Kiilsgaard
Mr. Griswold
Copy to: Docket
Admr. Reading File
Operating Committee

EDTalbert/wb
August 15, 1956

Talbert

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

AUG 13 1956

. T. Finch
ator
Mr. Customhouse Building
DF 2, Colorado

Re: United States Metals Corporation
Contract No. Idm-829
Docket No. DMA-606

Dear Mr. Finch:

Your letter of August 8, 1956, reporting the latest developments in regard to the indebtedness to the Government under the referenced contract is appreciated.

In the last paragraph of your letter you inquire as to the necessity of filing an amended Report of Review in event of a determination that the project's pipe, track, tubing and other supplies have a salvage value. In order to properly close the matter an amended Report of Review may be required but, in order to avoid the possibility of several amended reports, the issuance thereof should be held in abeyance pending final disposition of the case by the Department of Justice.

Sincerely yours,

(Signed) E. D. Talbert

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

EDTalbert/wb
August 13, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

R.L.S.

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

RECEIVED
AUG 13 1956

224 New Customhouse
Denver 2, Colorado

August 9, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMA 606 (Lead-Zinc), Contract Idm-E29, U. S. Metals Corporation (Henrietta mine), San Juan County, Colorado

In conjunction with matters discussed in the Solicitor's letter to the Attorney General, dated April 2, 1956 concerning the subject Operator's indebtedness to the Government, on August 7, 1956 a meeting was held in the office of Mr. Robert B. Inman, Assistant United States Attorney, Denver, Colorado. The meeting was attended by Mr. Inman, officials of U. S. Metals Corporation, and personnel from this office.

The purpose of the meeting in Mr. Inman's office was to clarify the Government's position in the matter of the Operator's indebtedness and to obtain a commitment from the Operator. The officials of U. S. Metals Corporation acknowledged their responsibility in the matter and verbally agreed to provide by September 15, 1956 an inventory of the salvageable material and supplies mentioned in the Solicitor's letter of April 2, 1956 as costing the separate amounts of $9,657.02 and $8,462.53.

Relative to the aforesaid amounts, we can reconcile the amount of $9,657.02 as being the aggregate cost of pipe, track, and vent tubing. However, we cannot reconcile the amount of $8,462.53 as constituting the cost of "Surface Buildings," "Improvements," and "Initial Rehabilitation and Repairs," as outlined in our letter to Mr. Carl Peterson, dated November 21, 1955, copies of which were forwarded to you.

Under the provisions of the form letter attached to DMEA Circular 30, the above three quoted categories of expense in which the Government has participated are subject to liquidation procedures.

We are unable to understand why the costs of these three categories were omitted from the Solicitor's statement of costs and instead the aggregate costs of other more expendable categories included.

After you have reviewed the matter and the information we understand is being forwarded to Mr. J. L. Chambers, Chief, Contract Administration and Audit Division, by Mr. Donald T. Finch, DMEA Auditor, Denver, Colorado, we will appreciate your advice as to whether or not the three categories mentioned in the foregoing should be considered as a part of the over-all costs of jointly owned property that is subject to liquidation procedures.

W. M. Traver

W. M. Traver

606

ACTION ON INTERIM
OR FINAL FIELD TEAM REPORT

Date 6-1

Referred to:

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

Note comments in report regarding:

1. Royalty due —
2. Property inactive
3.
4.

and take appropriate action.

- - - - - - - -

Action taken by Division:

Robert E. Adams

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
Washington 25, D. C.

RECEIVED
JUN - 1 1956

224 New Customhouse
Denver 2, Colorado

Date: May 29, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Semiannual Report of Certified Project for the period July 1, 1955 through December 31, 1955
DMEA Docket 606 (Zinc-Lead--Copper)
Contract Idm-E 29 U. S. Metals Corporation (Henrietta mine), San Juan County, Colorado

Enclosed are the original and three copies of the subject report prepared in conformance with instructions contained in memorandum of January 6, 1956 from this office and Memorandum 29.

for W. M. Traver
Executive Officer, DMEA
Field Team, Region III

Enclosures
MHM/vj
cc: Semiannual Report File E 29
J. F. Shaw (2)
E. N. Harshman
Chron.

Semi-Annual Report of Certified Projects

DMEA
Date Rec'd.
MAY 23 1956
BUREAU OF MINES
Denver, Colorado

RECEIVED
JUN - 1 1956

Reporting Period July 1, to December 31, 1955

Docket and Contract Number DMA 606, Contract I-DMA-E29

Operator U. S. Metals Corporation

Commodity Zinc, lead, copper

Mine Name Henrietta mine

County and State San Juan County, Colorado

Date of Contract June 27, 1951

Date of Certification (Pseudo) November 1, 1954

Expiration Date of Royalty Payments June 27, 1965

Date of Examination for this Report April 17, 1955

Total Amount of Contract $113,638.34

Total Expenditures under Contract $82,596.12

Amount of Government Participation at 50 % $41,298.06

Royalty Payments this Period None

Previous Royalty Payments $1,522.70

Total Royalty Payments to Date $1,522.70

% Loan Repayment Completed 3.90

Amount of Royalty Due $2,055.67

Royalty Remarks Collection of royalties due referred Washington office for legal action on 9/1/55.

Original Estimate of Reserves (from Final Engr.-Geol. Report): No estimate of reserves is possible since the property has been entirely inaccessible and the writer was never beyond the portal.

Increase of Reserves by work performed subsequent to expiration or termination of contract: none

Revised Estimate of Reserves: none

Production this Period (Ore or Concentrates) none

Amount of Previous Production (since date of contract) 2,045.6025 tons of dry concentrates and some shipping grade ore.

Total DMEA Production to date Same as above.

% of Revised Reserves Mined Not calculable.

Production Remarks: There has been no production since 12/17/53

Note: On Uranium projects check with AEC to assure that our records are in agreement with theirs.

Other Remarks: The project was shut down on December 17, 1953 and there has been no activity to date. The mine is completely inaccessible due to bad air and lack of oxygen.

Total

% Loan

Amount

Royalty

Signed C. M. Harrer (Engineer)
C. M. Harrer

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

224 New Customhouse
Denver 2, Colorado

April 26, 1956

Memorandum

To: John F. Shaw

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMA-606 (Lead-Zinc) Contract Idm-E29, U. S. Metals Corporation, (Henrietta mine), San Juan County, Colorado

This refers to a memorandum of April 25, 1956 from C. M. Harrer to the Region III Executive Officer, through you, concerning his attempt on April 17 to reach the subject Henrietta mine for the purpose of making an inventory of equipment.

You were furnished on April 6, 1956 with a copy of Solicitor J. Russel Armstrong's letter of April 2 to Attorney General Herbert Brownell, Jr. requesting appropriate action toward recovery of the Government's participation in contract work and collection of delinquent royalties. You were also provided a copy of the April 9, 1956 Report of Review on Contract Idm-E29 by D. T. Finch of the Contract Administration and Audit Division. These two documents established an estimated salvage value of project equipment.

In view of what has transpired we see no necessity for further action by you to determine disposition of the jointly owned property or its value unless we receive instructions to do so from the Administrator.

W. M. TRAVER

Enclosure

W. M. Traver

RECEIVED
APR 30 1956

WMT/pw

cc: Sec.Op.Comm. (2)
Harshman
Townsend
E29 Corres.
Chron

April 25, 1956

DMEA
Date Rec'd.
APR 26 1956
BUREAU OF MINES
Denver, Colorado

Memorandum

To: Executive Officer, DMEA Field Team, Region III

Through: John F. Shaw
Supervising Mining Engineer

Subject: DMA 606, (Lead-zinc), Contract I-DMA-829, U. S. Metals Corporation, (Henrietta mine), San Juan County, Colo.

An attempt was made to reach the Henrietta mine on April 17, 1956, however heavy snow beyond the Joe and John mine at the head of Prospect Gulch made access impossible. Mr. Jesse Bingal of Silverton, Colo., identified U. S. Metals Corp., equipment stored at Silverton. This equipment is rumored to be tied up in some sort of litigation.

The following is a list of the equipment stored at Silverton:

Equipment	Condition
1 - 30" x 6' air receiver	Good
1 - 30" x 8' air receiver	Good
4 - oil heaters	Fair
1 - 2-stage centrifugal pump	Fair
2 - 1-ton mine cars	Good
1 - Hoisting skip	Good
4 - Hoisting buckets	Good
1 - Air tugger	Fair
1 - 4-wheel drive Ford truck (Army surplus)	?
1 - 1/2-ton Ford pick-up truck	?
6 - Ingersoll Rand and Gardner Denver drifters	?
2 - Jack hammers	?
1 - Cleveland stoper	?
1 - Chicago pneumatic stoper	?
1 - Gardner Denver stoper	?
2 - Sopco Pacific jackleg drills	?
1 - Electric bit grinder	?
2 - Air driven plunger pumps	?
Crossbars for drifters	?
1 - Sopco Pacific air driven bit grinder	?
500 feet of 1-inch water line	?
2,000 feet of flexible vent tubing	Good

Equipment	Condition
1 - Electric grinder, 2-wheel	Good
1 - Gardner Denver 210 c.f.m. portable air compressor	Good
4 - Drilling water tanks	Good
1 - HD-7 Tractor and cable dozer	?
1 - HD-5 Allis Chalmers tractor and loader at Pride Mill, in Howardsville	?
2 - Old single stage compressors	?
1 - Roll 3/4-inch dozer cable	Good
1 - D-8 Caterpillar tractor	Bad
1 - HD-14 Allis Chalmers tractor	Bad
1 - GP compressor, 315 c.f.m.	Bad
Miscellaneous air and water hoses	?
5 - Air Grove	Good
1 - Anvil	Good
1 - Forge	Good
2,000 feet of 2-inch plastic pipe	?
Miscellaneous small tools and drill steel	?

Most of the equipment was not purchased under the RFCA contract and no value could be set on it.

C. M. Harrer
Mining Engineer

CMH:ph

cc 9
I-DMA-X29
Chron.

Talbert

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

APR 5 1956

Mr. Donald T. Finch
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

Re: Idm-829, DMA-606
and
Idm-8309, DMEA-1870
U. S. Metals Corporation

Dear Mr. Finch:

In a letter dated September 12, 1955, relative to the referenced contracts Mr. Bunding stated:

> "In view of the fact that the last interim audits in both instances covered the last MF-104's submitted by the Operator, a Report of Review will be issued just as soon as the amount of property liquidation is determined and the Engineer's Final Report is released."

The amounts of the property liquidation have been determined and the matter of the Operator's indebtedness to the Government for the Government's equity therein, plus prior overpayments and royalty due, has been referred to the Attorney General by the Solicitor's letter of April 2, 1956. Therefore, the release of appropriate Reports of Review is in order.

Enclosed are the originals and seven copies each of Reports of Review for the referenced projects. If you concur with these reports, please affix your signature and distribute the copies in the normal manner, including the return to this Division of three signed copies of each report.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosures

EDTalbert/wb
April 4, 1956

Copy to: Docket (2)
Admr. Reading File
Mr. Chambers

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

606

N.S. in R.R.

APR 2 1956

Indrs 3/23/56
Dwyer
Chambers
Griswold
Selby
Rothensies

Hon. Herbert Brownell, Jr.
Attorney General
Washington 25, D. C.

My dear Mr. Attorney General:

There is submitted for appropriate action the matter of the U. S. Metals Corporation, a Colorado corporation, at 204 Mercantile Building, 1021 Thirteenth Street, Denver 2, Colorado, a party to a minerals exploration contract with the Government, administered by the Defense Minerals Exploration Administration of this Department, initially designated Exploration Project Contract I-[illegible]-[illegible] (Docket No. [illegible]-[illegible]) and sometimes identified as Contract No. [illegible]-[illegible] (Docket No. [illegible]-[illegible]).

In general, the contract provides that the U. S. Metals Corporation (hereinafter referred to as the Operator) shall engage in a project for exploration for lead, zinc, and copper as outlined in Exhibits "A", "B", "C", "D", and "E" of the original contract dated June 27, 1951. The original program of exploration was subsequently altered and expanded at various times by Amendments 1 through 14. (Enclosure No. 1.)

It may be noted that the Operator's name in the original contract was U. S. Oil and Development Corporation. The corporate name was changed to U. S. Metals Corporation by action of the stockholders in a meeting held at the Corporation's office April 22, 1952. (Enclosure No. 1.)

The Government's obligation to contribute to any costs incurred by the Operator after December 28, 1953 (except costs of preserving and disposing of certain property and of specified winding-up actions), was automatically terminated as a result of the Operator's failure to resume work by September 1, 1953, as provided in the contract as amended. See item 1(a) of Amendment No. 12, 1(d) of Amendment No. 13, and 1(a) of Amendment No. 14 (Enclosure No. 1). Effective December 28, 1953, the Operator was also obligated, pursuant to the provisions of the contract and Article 3(h) of Amendment No. 12, to dispose of any property to the cost of which the Government had contributed.

DMEA Docket

During the month of July 1951, the Operator purchased valuable equipment such as a compressor, pump, and blower which covers, at a cost of $8,340.96. The Government paid 30 percent of this cost. From the purchase date to December 30, 1953, approximately 29 months elapsed. Depreciation on the basis of a 60-months life expectancy would result in establishing a salvage value of $4,962.55. The Government has a 30-percent interest in such value, or $1,488.76.

The Operator also purchased on different dates, at a total cost of $8,326.63, other equipment which had an average depreciation period of 16 months. On the basis of 60-months life expectancy, salvage value of the depreciated equipment is $4,956.34, of which the Government's share is $1486.90.

From June 27, 1951, to February 11, 1954, the Operator produced and sold ores in the amount of $75,882.46, on which the Government under the terms of the contract earned a royalty. The royalty, which ranged from 1½ to 3 percent of sales, amounted to $3,578.67, of which amount the Operator paid $1,522.79, leaving a balance due the Government of $2,055.67.

The total acceptable cost of this project was $92,396.12, the Government's share of which, at 30 percent, was $27,718.84. The Government inadvertently paid the Operator a total of $28,060.98, which resulted in an excess payment of $342.14.

Under another Uranium Exploration Project Contract, 14-[illegible], Docket No. [illegible]-1276, the Government overpaid its pro-rata share to the Operator in the amount of $72.36. In addition to this overpayment, the Operator purchased the Government's share of equipment used on the latter project for the sum of $443.79, as acknowledged by the Operator in Amended Contract 14-[illegible], Docket No. [illegible]-1276, under date of May 9, 1955. See Annex 1, paragraph 3, of this contract. (Enclosure No. 3.) The Operator agreed to pay this sum ($443.79) on a monthly installment basis but no payment was ever made.

In summary the Operator owes the following amounts to the Government:

Royalty	$2,055.67
Overpayment on Exploration Project 14-[illegible], Docket No. [illegible]-[illegible]	343.86
Equipment, First Lot	1,488.76

Equipment, several lot	$ 779.12
Overpayment on Exploration Project Idc-8709, Contract No. [illegible]-1070	71.26
Equipment	441.72
Total	$5,343.41

In addition, the Government has a possible claim against the Operator for the amount of the Government's equity (50 percent of the salvage value) in the following items purchased for the project: (a) pipe, track, and vent tubing, which cost $9,417.24; and (b) certain supplies costing $4,445.55, to the extent that they remained unexpended on December 31, 1955. The Department does not now know the amount and salvage value of such unexpended supplies. The Operator has failed to answer this Department's inquiries in regard thereto (Exhibits No. 4).

The Defense Materials Exploration Administration has made a number of efforts to effect settlement of the matter, the most important of which are the following: September 15, 1955: Letter of W. E. Searcy, Executive Officer, DMEA Field Team, Region III, to Earl E. Peterson, President of U. S. Metals Corporation, advising him how to make settlement. September 19, 1955: Letter of C. G. Wisenbert, Administrator of DMEA, to Earl E. Peterson, President of U. S. Metals Corporation, advising him that if settlement of above accounts were not made or planned within sixty days the matter would be referred to the Attorney General of the United States. January 12, 1956: Letter of C. G. Wisenbert, Administrator of DMEA, to Earl E. Peterson, President of U. S. Metals Corporation, verifying his that a letter was in preparation to refer the Government's claim against U. S. Metals Corporation to the Attorney General of the United States (Exhibits No. 5).

The ores on which the Operator still owes royalty of $4,053.67, as specified above, were produced from lands leased to the Operator by the Blue Bird Mining and Milling Company, c/o Charles E. Reeves, Attorney, Colorado Fuel and Iron Company, P. O. Box 1328, Denver 1, Colorado. Under date of September 26, 1954, the Blue Bird Mining and Milling Company signed a document entitled "Owner's Consent to Lien" (Exhibit No. 1). By paragraph 2 of the Consent to Lien, the Company granted to the Government a lien upon the land and upon any production of minerals therefrom to secure the payment to the Government of the percentage royalty on production provided in the Operator's contract. Accordingly, you may wish to

consider the matter of collecting not to exceed $1,015.67 by overriding the Government's lien provided for in the Owner's Consent to Lien. By letter of January 20, 1964, the Company was notified of its possible liability under its Consent to Lien (Enclosure No. 4).

The enclosures furnished are either photostats or copies of the originals. If the United States Attorney who handles this case requires additional information, it may be requested of either the Executive Officer, DMEA Field Team, Region III, 250 Mar Centenhouse Building, Denver 2, Colorado, or the Administrator, Defense Minerals Exploration Administration, Department of the Interior, Washington, D. C.

Sincerely yours,

J Reed Armstrong

Solicitor

Enclosures 6

JLChambers/PIndritz/cmd
3/23/56

Copy to: Solicitor's Docket (2)
DMEA Docket
Admr. Reading File, DMEA
Field Team, Region III (2)
W. R. Griswold, DMEA
J. L. Chambers, DMEA
R. P. Dwyer
P. Indritz
chron.
pending

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

March 16, 1956

MEMORANDUM TO THE FILES

From: W. R. Griswold, Chief, Base Metals Division

Subject: Certain Assets on Exploration Project Idm-E29, Docket No. DMEA-606 (Lead-Zinc), Henrietta Mine, San Juan County, Colo.

The following items were purchased for the project and were in use about 30 months:

Pipe	$4,201.01
Track	3,484.15
Vent Tubing	1,971.86

The vent tubing could hardly be worth considering from a salvage standpoint because dampness and time would have pretty well rotted it.

Pipe and track in the amount of $7,685.16 would ordinarily have a salvage value of 20 percent. Since these are located at an inaccessible place, the bridges and roads having been made so by storms and erosion, I am of the opinion they could not be removed and placed on the market for anything like the salvage price obtainable.

The buildings costing some $3,300.00 would be worthless so far as salvaging them in this elevated region.

The equipment used on the project originally costing $7,766.99 should be divided as follows: One group in the amount of $5,540.94 should be depreciated on a 60 months life expectancy for 29 months. The other group in the amount of $2,226.05 should be depreciated on the same basis for 18 months.

The above findings are to the best of my judgment and experience.

W R Griswold

W. R. Griswold

C

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

RECEIVED
MAR - 8 1956

224 New Customhouse
Denver 2, Colorado

March 5, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMA 606 (Lead-Zinc-Copper), Contract Idm-E29, U. S. Metals Corporation, Henrietta mine, San Juan County, Colorado.

In reference to your letter of February 29, 1956, relative to a detailed estimate of the salvage value of property acquired under the subject contract, our letter to you of February 29 explains the situation.

If we can give you any additional information in the matter prior to the time that the property becomes accessible, please advise.

W. M. Traver

File Copy
Surname

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION 500
WASHINGTON 25, D. C.

March 5, 1956

Memorandum

To: Chief, Contract Administration & Audit Division

From: Chief, Base Metals Division

Subject: Docket No. DMA-606, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado, Contract No. Idm-E29, Lead-Zinc-Copper.

I have reviewed Docket No. DMA-606, U. S. Metals Corporation, with reference to the Government's claim on property and supply account.

I would suggest that a reasonable estimate of the Government's equity would be:

Pipe and track

Cost $7,685.16

Salvage value, estimated 20% cost.
Government's equity 10% of cost.

Equipment

Equipment cost $5,540.94 - purchased July 1951.

$5,540.94 minus $\frac{29 \text{ months}}{60 \text{ months}}$ equals present value of which 1/2 is Government's equity.

Equipment Cost (average purchase date June 1952).

$2,226.05 minus $\frac{18 \text{ months}}{60 \text{ months}}$ equals present value of which 1/2 is Government's equity.

W. R. Griswold

W. R. Griswold

WRG/er
Copy to: Docket
Base Metals
Chron.

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

RECEIVED
MAR - 1 1956

224 New Customhouse
Denver 2, Colorado

AIR MAIL

February 29, 1956

Memorandum

To: Chairman, DMEA Operating Committee

From: Executive Officer, DMEA Field Team, Region III

Subject: DMEA Docket 606 (Lead-Zinc), Contract Idm-E29, U. S. Metals Corporation, (Henrietta Mine), San Juan County, Colorado

DMEA Docket 1870 (Lead-Zinc), Contract Idm-E309, U. S. Metals Corporation, (Joe and John Mine), San Juan County, Colorado

Reference is made to C. O. Mittendorf's registered letter of January 13, 1956 to Mr. Carl H. Peterson, President of the subject corporation and letter of same date addressed to this office.

We are thoroughly convinced that no action on the part of the U. S. Metals Corporation to finalize these accounts by the repayment of funds due the Government will be forthcoming without the legal action referred to in the third paragraph of the referenced letter to Mr. Peterson.

The additional information requested by C. O. Mittendorf's letter to this office is not available and due to the heavy snow fall in the area of the subject mining properties it will be approximately the middle of June 1956 before an inventory of the equipment and unexpended supplies can be made and the present value of these purchases estimated.

Your attention is directed to letter of November 21, 1955 from this office which was also addressed to Mr. Peterson. The Washington office was furnished two copies of this letter which establishes the Government's equity in property to be settled. The values specified are the original purchase prices which are ordinarily subject to revision downward due to use depreciation. Two additional photo copies of this letter are furnished at this time for your convenience.

We recommend that these accounts be referred to the Attorney General's office for collection by lawsuit at the earliest possible date. All costs to be referred for collection have been specifically determined with the exception of the Government's equity in equipment and supplies purchased under DMEA Contract Idm-E29. We recommend that either full restitution of the Government's equity be demanded (as itemized in our November 21, 1955 letter) or that these amounts be depreciated in conformance with standards which are acceptable to the Internal Revenue Service. This method allows a first-year depreciation of 7.5 percent and yearly thereafter at 5.0 percent. All items should be depreciated from the date of purchase if known or from the month the charge was made on the 104 Report to the termination date of Contract Idm-E29.

We further recommend that Contract Idm-E29 be certified at this time. The repayment period is to be the 14 years specified by Amendment No. 13.

Please advise us of your further action in these matters.

W. M. Traver

W. M. Traver

Enclosures

RECEIVED

MAR - 1 1958

CERTIFIED MAIL

224 New Customhouse
Denver 2, Colorado

November 21, 1957

Mr. Carl H. Peterson, President
U. S. Metals Corporation
203 Mercantile Building
Denver, Colorado

Re: Docket DSA-606 (Amendment),
Contract 18h-329

Dear Mr. Peterson:

Reference is made to our letter of September 18, 1957, wherein we advised of the termination of the Contract under the provisions of Amendment No. 12 and instructed you in the procedure for the settlement of the Government's interest in property acquired under the Contract.

Records in this office indicate that the following property is subject to the settlement procedures outlined:

Item		Cost to the Project
Pipe		$ 4,201.01
Track		5,464.15
Vent Tubing		1,971.86
Equipment		
Compressor	$ 3,500.00	
Electric Motor	100.00	
Wheelbarrow	55.00	
Socket Wrenches	61.88	
Electric Drill	46.25	
Welding Outfit	142.49	
Rail Binder	30.20	
Power Saw	138.72	
Bench Grinder	60.80	
Fire Extinguishers	104.20	
Tramaire	1,681.40	
Jack hammer and leg	530.95	
Galvanometer	22.70	
2 Sutorbilt Blowers with motor	1,244.40	
		7,766.99

New Buildings and Improvements

Surface Buildings			
Materials and Supplies	$1,215.77		
Labor and Supervision	2,106.87		
		3,322.64	
Improvements			
Power Line Extension	$ 103.68		
Materials and Supplies	280.90		
		384.58	
Total New Buildings and Improvements			$ 3,707.22
Initial Rehabilitation and Repairs			
Repairs to H. D. Allis Chalmers Tractor Bulldozer			3,635.48
Total			$26,786.71
Government participation, 50%			$13,393.35

In addition to the above, the Government has an equity in any supplies purchased under the contract which were unexpended at the end of the work, namely, timber, explosives, small tools, drill steel and bits, diesel fuel, oil, greases, etc. In regard to such supplies, it will be necessary that the matter be resolved by one of the following methods:

1. You provide an ending inventory showing the quantity and monetary value of the unexpended supplies, the value being based on the original cost.

2. You submit a statement that no such supplies remain unexpended at the end of the work.

We are desirous of closing our records on this account as soon as possible. Therefore we will appreciate your prompt attention to the submitting of your proposal relative to the liquidation of the jointly owned property acquired under the contract.

Very truly yours,

W. M. Traver
Executive Officer, DMRA
Field Team, Region III

By J. W. Townsend
J. W. Townsend

JWT:prl
cc: Chairman, Oper. Comm. (2)
[redacted]
Conrad. File✓
[redacted]

Docket copy
Surname:
Talbut
Chambers
Selfridge
Mitteudorf

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

FEB 29 1956

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc-Copper)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-K29

Dear Mr. Traver:

Reference is made to the last paragraph of our letter of January 13, 1956, requesting a detailed estimate of the salvage value of project property to which the Government has contributed under the referenced contract.

It does not appear that this information has been received. As presentation of this case cannot be made until this information is furnished, it is requested that the submission be expedited.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (GCS)

APPROVED:

P. F. Yopes (GCS)
Member, Bureau of Mines

Thor H. Kiilsgaard (GCS)
Member, Geological Survey

Copy to: Docket
Admr. Reading File
Operating Committee
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Mr. Griswold
Mr. Chambers

EDTalbert/wb 2-29-56

R.C.

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

CERTIFIED MAIL

224 New Customhouse
Denver 2, Colorado

January 20, 1956

Mr Charles H Groves Attorney
Blue Bird Mining and Milling Company
c/o Colorado Fuel and Iron Company
P. O. Box 1920
Denver 1, Colorado

Re: Docket DMA 606
(Lead - Zinc - Copper)
Contract Idm-E29
U. S. Metals Corporation
Henrietta mine
San Juan Co., Colorado

Dear Mr. Groves:

Enclosed for your information is a copy of a letter, dated January 13, 1956, from the Administrator, DMEA, Washington, to Mr. Carl H. Peterson, President, U. S. Metals Corporation, which pertains to delinquent royalties and liquidation of the Government's interest in property acquired under DMEA Contracts E29 and E309.

Contract Idm-E29 as amended provides that the Government will be paid a percentage royalty on any minerals mined or produced from the Henrietta mine (comprising the Henrietta, Lizzie, Mineral King, Humbolt, Home Run, Mineral Queen, Narrow Gauge, Prosperity, and La Cross petented mining claims and the Tetrahedrite No. 1, Tetrahedrite No. 2, C.L.M., Moodie No. 1, and Moodie No. 2 unpatented mining claims in the Red Mountain Mining District). An Owner's Consent to Lien, executed by the Blue Bird Mining and Milling Company on September 23, 1954, in consideration of this contract, granted to the Government a lien upon the described land and upon any production of minerals therefrom until the percentage royalty is fully paid or twelve years have elapsed from the date of the contract (June 27, 1951), whichever occurs first.

Accordingly, you are hereby notified that if the U. S. Metals Corporation fails to pay the amount of $2,055.67 in delinquent royalty due the Government, the Government may look to Blue Bird Mining and Milling Company for the payment.

Very truly yours,

W. M. Traver

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

JWT-prl
cc: Chairman, Oper. Comm. (2)
Shaw (2) E29, E309) w/copy of
Harshman (2) " ") Adminis-
Townsend (2) " ") trator's
Corres. file (2) " ") letter
Enclosure
Chron.

DMA 606 & DMEA 1870

JAN 13 1956 -800

Post Office Department

DENVER
JAN 13
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1956
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OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300
(GPO)

POSTMARK OF DELIVERING OFFICE

BUREAU OF LAND MANAGEMENT
WASHINGTON, D.C.

1956 JAN 23 AM 11 36

Return to Department of the Interior
Defense Minerals Exploration Adm.
(NAME OF ADDRESSEE)
Street and Number, or Post Office Box, Washington 25, D. C.

REGISTERED ARTICLE

No. 59 8277

INSURED PARCEL

No.

WASHINGTON, D. C.

Mr. George Selfridge

RECEIVED
JAN 17 1956

DN 235 BUR MINES 1 1-17-56 9-13

CHAIRMAN, OPERATING COMMITTEE, DMEA

RE DOCKETS DMEA 606 AND 1870, CONTRACTS IDM-E29 AND E309, U S METALS CORP., YOUR LETTER OF 1-13-56. THREE COPIES OF LETTER ADDRESSED TO THE OPERATOR WEE NOT ENCLOSED AS INDICATED IN THE FIRST PARAGRAPHS OF YOUR LETTER.

W M TRAVER

3 LINE WERE

Denver, Colo.

JAN 17 1 01 PM '56
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

Docket copy
Surname:

Talbert
Griswold
Rubin
Dwyer
Talbert
Selfridge
Hyman

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

JAN 13 1956

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc-Copper)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

and

Docket No. DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe and John Mine
San Juan County, Colorado
Contract No. Idm-E309

Dear Mr. Traver:

Enclosed are three copies of a letter addressed to the Operator of the referenced projects with regard to his indebtedness to the Government. The extra, or third, copy is for forwarding to the Blue Bird Mining and Milling Company, whose address is not on record in this office.

In forwarding this copy to the Blue Bird Mining and Milling Company, attention should be invited to the amount of $2,055.67 due the Government for delinquent royalty. This Company also should be advised substantially as follows:

"Contract No. Idm-E29, as amended, provides that the Government will be paid a percentage royalty on any minerals mined or produced from the Henrietta Mine (comprising the Henrietta, Lizzie, Mineral King, Humbolt, Bear Run, Mineral Queen, Narrow Gauge, Prosperity, and La Cross patented mining claims and the Tetrahedrite No. 1, Tetrahedrite No. 2, C. L. M., Moodie No. 1, and Moodie No. 2 unpatented mining claims in the Red Mountain Mining District). An Owner's Consent to Lien, executed by you on September 23, 1954, in consideration of this contract, granted to the Government a lien upon the described land and upon any production of minerals therefrom until the percentage royalty is fully paid or twelve years have elapsed from the date of the contract (June 27, 1951), whichever occurs first.

RGD

"Accordingly you are hereby notified that, if the U. S. Metals Corporation fails to pay the amount of $2,055.67 in delinquent royalty due the Government, the Government may look to you for the payment."

In order for this Administration to properly prepare this case for referral to the Attorney General, additional information is required from the Field Team. A detailed estimate of the salvage value of project property, to which the Government has contributed under Docket No. DMEA-606, Contract No. Idm-E29, would be appreciated at your earliest convenience.

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosures-3

Copy to: Docket (2)
Admr. Reading File
Administrator
Mr. Griswold
Mr. Chambers

EDTalbert/wb
January 9, 1956

Docket copy
Surname:
Talbot
Minerals
Robins
Sanger

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

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc-Copper)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

and

Docket No. DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe and John Mine
San Juan County, Colorado
Contract No. Idm-E909

Dear Mr. Traver:

Enclosed are three copies of a letter addressed to the Operator of the referenced projects with regard to his indebtedness to the Government. The extra, or third, copy is for forwarding to the Blue Bird Mining and Milling Company, whose address is not on record in this office.

In forwarding this copy to the Blue Bird Mining and Milling Company, attention should be invited to the amount of $2,055.67 due the Government for delinquent royalty. This Company also should be advised substantially as follows:

"Contract No. Idm-E29, as amended, provides that the Government will be paid a percentage royalty on any minerals mined or produced from the Henrietta Mine (comprising the Henrietta, Lizzie, Mineral King, Home Run, Mineral Queen, Narrow Gauge, Prosperity, and La Cross patented mining claims and the Tetrahedrite No. 1, Tetrahedrite No. 2, C. A. M. Moodie No. 1, and Moodie No. 2 unpatented mining claims in the Red Mountain Mining District). An Owner's Consent to Lien, executed by you on September 23, 1954, in consideration of this contract, granted to the Government a lien upon the described land and upon any production of minerals therefrom until the percentage royalty is fully paid or twelve years have elapsed from the date of the contract (June 27, 1951), whichever occurs first.

Docket copy
Surname:

Talbot
Chambers
J.W.A. for N.P.G.
Ryder
Dwyer
Selfridge
Hymson

JAN 13 1956

Registered Mail
Return Receipt Requested

Mr. Carl H. Peterson, President
U. S. Metals Corporation
206-8 Mercantile Building
Denver, Colorado

Re: Docket No. DMA-606 (Lead-Zinc-Copper)
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

and

Docket No. DMEA-1870 (Lead-Zinc)
Joe and John Mine
San Juan County, Colorado
Contract No. Idm-E309

Dear Mr. Peterson:

INTERIOR DEPT
JAN 9 - 1956
SOLICITOR

By letter dated September 12, 1955, I advised you that, unless payment in the amount of $2,055.67 (representing delinquent royalty due the Government under the first referenced contract) was received within sixty days, it would be necessary to refer the matter to the Attorney General of the United States.

Subsequently, by a letter dated September 16, 1955, in the case of the first referenced contract, and by a letter dated September 19, 1955, in the case of the second referenced contract, the Executive Officer of the DMEA Field Team for Region III advised you that: (a) the contracts had been automatically terminated as of September 1, 1955, under provisions of the last amendments thereto, because work was not resumed as required; (b) the project property, in which the Government has acquired an interest through its contribution to the costs thereof, should be disposed of promptly in accordance with the terms of the contracts; and (c) overpayments by the Government of $361.86 under Contract No. Idm-E29 and $72.56 under Contract No. Idm-309 should be refunded.

Inasmuch as it appears that you have neither replied to these letters nor performed the winding-up and settlement actions provided for in the contracts, it is my intention to refer the entire matter to the Attorney General of the United States for appropriate action looking to the recovery of $2,055.67 in delinquent royalties, $434.42 in overpayments, $641.79 for the Government's equity in property under Contract No. Idm-E309, and an amount to be determined for the Government's equity in the salvage value of project property under Contract No. Idm-E29.

R.C.S.

It is to be noted that article 3 of Annex I to the Amended Contract No. Idm-E309, dated March 9, 1954, provides that "The Government's equity in the equipment purchased under the Original Contract is agreed upon as being of the value of $641.79 ***."

Sincerely yours,

O. D. Mittendorf

Administrator

EDTalbert/wb
January 9, 1956

Copy to: Docket (2)
Admr. Reading File
Administrator
Field Team, Region III (2)
Mr. Griswold
Mr. Chambers
Blue Bird Mining & Milling Co. (through Region III for forwarding to proper address)

It is to be noted that article 3 of Annex I to the Amended Contract No. Idm-E309, dated March 9, 1954, provides that "The Government's equity in the equipment purchased under the Original Contract is agreed upon as being of the value of $641.79 ***." Under Contract No. Idm-E29, however, you are in default in performance of the required property disposition actions; therefore, since you have made no proposal in the matter, it will be necessary for the Government to place an arbitrary salvage valuation on the equipment, buildings, and unexpended supplies, such as pipe, track and ventube, to which it has contributed.

Sincerely yours,

Administrator

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

RECEIVED
DEC 30 1955

224 New Customhouse
Denver 2, Colorado

AIR MAIL

December 28, 1955

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: DMEA Docket 606 (Lead-Zinc), Contract Idm-E29, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado

Reference is made to our memorandum of November 15, 1955 concerning the nonpayment of royalty amounting to $2,055.67 and the settlement of Government equity in equipment purchased under Contract Idm-E29.

Mr. Carl H. Peterson was informed by your registered letter of September 12, 1955 that this royalty matter would be referred to the Attorney General for collection if not received by November 12, 1955.

By our letter dated November 21, 1955, sent Certified Mail, we furnished Mr. Peterson a list of equipment and other property in which the Government owns a 50 percent equity. This letter and other prior correspondence asked for proposals from the U. S. Metals Corporation relative to the liquidation of this jointly owned property in order that the termination of Contract Idm-E29 may be finalized. By letter of December 13, 1955, Carl Peterson stated that he would contact us not later than December 19, 1955 regarding several metters he wished to discuss. We believe this was only another excuse to delay action as we have not heard from him subsequent to the receipt of the above letter.

Again we strongly recommend that the collection of the DMEA royalty be referred to the U. S. Attorney General and in addition sufficient pressure be brought to bear upon the U. S. Metals Corporation to force settlement of the Government's equity in the jointly owned equipment. As the U. S. Metals Corporation officials have not shown good faith in complying with terms of any of their three DMEA contracts, we believe a law suit demanding full repayment of the Governments portion of equipment purchases and other equities in addition to a demand for full royalty payment is advisable. Such action should be taken without further delay.

For your convenience we enclose a photo copy of our letter to Mr. Peterson dated November 21, 1955. Two copies of this letter were furnished for the Washington office files by our original distribution.

W. M. Traver

W. M. Traver

Enclosure

RECEIVED
DEC 30 1955

CERTIFIED MAIL

224 New Customhouse
Denver 2, Colorado

November 21, 1955

Mr. Carl H. Peterson, Secretary
U. S. Metals Corporation
208 Mercantile Building
Denver, Colorado

Re: Docket DMA-606 (Lead-Zinc),
Contract Idm-E29

Dear Mr. Peterson:

Reference is made to our letter of September 16, 1955, wherein we advised of the termination of the Contract under the provisions of Amendment No. 12 and instructed you in the procedure for the settlement of the Government's interest in property acquired under the Contract.

Records in this office indicate that the following property is subject to the settlement procedures outlined:

Item		Cost to the Project
Pipe		$ 4,201.01
Track		3,484.15
Vent Tubing		1,971.86
Equipment		
Compressor	$ 3,500.00	
Electric Motor	100.00	
Wheelbarrow	35.00	
Socket Wrenches	61.88	
Electric Drill	46.25	
Welding Outfit	142.49	
Rail Binder	90.20	
Power Saw	138.72	
Bench Grinder	60.80	
Fire Extinguishers	104.20	
Tramaire	1,681.40	
Jack hammer and leg	558.95	
Galvanometer	22.70	
2 Sutorbilt Blowers with motor	1,244.40	
		7,766.99

Dark

New Buildings and Improvements

Surface Buildings			
Materials and Supplies	$1,215.77		
Labor and Supervision	2,106.87		
		3,322.64	
Improvements			
Power Line Extension	$ 103.68		
Materials and Supplies	280.90		
		384.58	
Total New Buildings and Improvements			$ 3,707.22
Initial Rehabilitation and Repairs			
Repairs to H. D. Allis Chalmers Tractor Bulldozer			5,655.48
Total			$26,786.71
Government participation, 50%			$13,393.35

In addition to the above, the Government has an equity in any supplies purchased under the contract which were unexpended at the end of the work, namely, timber, explosives, small tools, drill steel and bits, diesel fuel, oil, greases, etc. In regard to such supplies, it will be necessary that the matter be resolved by one of the following methods:

1. You provide an ending inventory showing the quantity and monetary value of the unexpended supplies, the value being based on the original cost.

2. You submit a statement that no such supplies remain unexpended at the end of the work.

We are desirous of closing our records on this account as soon as possible. Therefore we will appreciate your prompt attention to the submitting of your proposal relative to the liquidation of the jointly owned property acquired under the contract.

Very truly yours,

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

By J. W. Townsend

JWT:prl
cc: Chairman, Oper. Comm. (2)
Bardeman
Shaw
Townsend
Breding
Corres. file ✓
Chron.

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

RECEIVED
DEC 19 1955

224 New Customhouse
Denver 2, Colorado

December 15, 1955

Memorandum

To: Chairman, Operating Committee, DMEA

From: Acting Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 606 (Lead-Zinc-Copper), Contract Idm-E29, U.S. Metals Corporation, Henrietta mine, San Juan County, Colorado

Enclosed are the Government's, Division, and Docket copies of Amendment No. 14 to Contract Idm-E29, which was forwarded by your letter of December 6, 1955, for signature by the Operator.

Copies of the Amendment have been given to the Operator, Finance Office, Region III, and distributed to other DMEA personnel concerned.

E. N. Harshman

E. N. Harshman

Enclosures

File Copy
Surname
J. W. Talbutt
Selfridge
Frank J. Johnson

500

DEC 1 1955

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg.
Denver 2, Colorado

Re: Docket No. DMEA-606 (Lead-Zinc-Copper)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-429

Dear Mr. Traver:

We are enclosing the original and five copies of Amendment No. 14, signed by the Administrator. Also enclosed are two extra copies of the amendment for the use of the Field Team.

In presenting this amendment to the Operator he should be advised that if it is not executed, the Government cannot allow the costs of $2,117.60 claimed on the December 1953 Form MF-104.

If the amendment meets with your approval, kindly present it to the Operator for approval and signature and, when completed, distribute the copies in the usual manner. In the event that the amendment is not satisfactory, and cannot be amended within your delegated authority, return all copies with your recommendation concerning any modification.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (GLB)

Enclosures

JWAlt/er 12/1/55
Copy to: Docket
Admr & File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

APPROVED:

/s/ Robert W. Geehan (GLB)
Member, Bureau of Mines

Thor H. Kiilsgaard (GLB)
Member, Geological Survey

P. S. No payment should be made to the Operator until royalty and equipment matters are settled.

File Copy
Surname

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

November 28, 1955

Memorandum

To: Associate Solicitor, Division of Mineral Resources

From: Chief, Base Metals Division

Subject: Preparation of Amendment No.14, Contract No. Idm-E29, Docket No. DMEA-606, U. S. Metals Corporation, Henrietta Mine (Lead-Zinc), San Juan County, Colorado

Will you please prepare Amendment No. 14 for the cited contract. As work was done by the Operator from October 26, 1953 to December 28, 1953, it is necessary to correct the recess period which has been stipulated in Amendments Nos. 10, 11, 12, and 13. The recess period for this project should be corrected to read from December 28, 1953 to September 1, 1955.

In the memorandum from W. R. Griswold to the Chief Counsel, dated January 13, 1954, it was stipulated that Amendment No. 10 should recess the work from December 28, 1953 to July 1, 1954. For some unknown reason when Amendment No. 10 was prepared the work was recessed from June 4, 1953 to July 1, 1954.

Amendment No. 12 cancelled Amendments Nos. 10 and 11.

W. R. Griswold

W. R. Griswold

JWAlt/er

Copy to: Docket
Base Metals
Chron.

DMA-606

Post Office Department
OFFICIAL BUSINESS

DENVER 7 PM 1955 COLO.

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300
(GPO 16-64072-1)

HIRE THE HANDICAPPED
IT'S GOOD BUSINESS

DENVER COLO. 1955

Return to Defense Mineral Exploration
(NAME OF SENDER)

Street and Number, or Post Office Box, Adm Dept of Interior

REGISTERED ARTICLE

No. 598187 Post Office Wash 25

INSURED PARCEL

No. 16—64072-1 State D C

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

CERTIFIED MAIL

224 New Customhouse
Denver 2, Colorado

November 21, 1955

Mr. Carl H. Peterson, Secretary
U. S. Metals Corporation
208 Mercantile Building
Denver, Colorado

RECEIVED
NOV 25 1955

Re: Docket DMA-606 (Lead-Zinc),
Contract Idm-E29

Dear Mr. Peterson:

Reference is made to our letter of September 16, 1955, wherein we advised of the termination of the Contract under the provisions of Amendment No. 12 and instructed you in the procedure for the settlement of the Government's interest in property acquired under the Contract.

Records in this office indicate that the following property is subject to the settlement procedures outlined:

Item	Cost to the Project	
Pipe		$ 4,201.01
Track		3,484.15
Vent Tubing		1,971.86
Equipment		
Compressor	$ 3,500.00	
Electric Motor	100.00	
Wheelbarrow	35.00	
Socket Wrenches	61.88	
Electric Drill	46.25	
Welding Outfit	142.49	
Rail Binder	90.20	
Power Saw	138.72	
Bench Grinder	69.80	
Fire Extinguishers	104.20	
Tramaire	1,681.40	
Jack hammer and leg	538.95	
Galvanometer	22.70	
2 Sutorbilt Blowers with motor	1,244.40	
		7,766.99

New Buildings and Improvements

Surface Buildings			
Materials and Supplies	$1,215.77		
Labor and Supervision	2,106.87		
		3,322.64	
Improvements			
Power Line Extension	$ 103.68		
Materials and Supplies	280.90		
		384.58	
Total New Buildings and Improvements			$ 3,707.22
Initial Rehabilitation and Repairs			
Repairs to H. D. Allis Chalmers Tractor Bulldozer			3,633.48
Total			$26,786.71
Government participation, 50%			$13,393.35

In addition to the above, the Government has an equity in any supplies purchased under the contract which were unexpended at the end of the work, namely, timber, explosives, small tools, drill steel and bits, diesel fuel, oil, greases, etc. In regard to such supplies, it will be necessary that the matter be resolved by one of the following methods:

1. You provide an ending inventory showing the quantity and monetary value of the unexpended supplies, the value being based on the original cost.

2. You submit a statement that no such supplies remain unexpended at the end of the work.

We are desirous of closing our records on this account as soon as possible. Therefore we will appreciate your prompt attention to the submitting of your proposal relative to the liquidation of the jointly owned property acquired under the contract.

Very truly yours,

W. M. Traver
Executive Officer, RMRA
Field Team, Region III

By J. W. Townsend
J. W. Townsend

JWT:prl
cc: Chairman, Oper. Comm. (2)

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

RECEIVED
NOV 16 1955

AIR MAIL

224 New Customhouse
Denver 2, Colorado

November 15, 1955

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 606 (Lead-Zinc), Contract Idm-E29, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado

Reference is made to your registered letter of September 12, 1955, to Carl H. Peterson, President of U. S. Metals Corporation, demanding payment of $2,055.67 delinquent royalties by November 12, 1955.

We advise that this payment has not been received and we strongly recommend that this matter be referred to the Attorney General. It is very unlikely that this account can be collected without the benefit of legal court action.

In addition to the delinquent royalties, the Operator has failed to submit a proposal to settle the Government's interest in property acquired under the contract, costing in excess of $15,000.00, in which the Government contributed 50 per cent of the cost. A detailed statement of the property involved will be forwarded soon.

W. M. Traver

By J. W. Townsend
J. W. Townsend

CHARLES H. GROVES
ATTORNEY AT LAW
711 CONTINENTAL OIL BUILDING
DENVER, COLORADO

RECEIVED
NOV - 7 1955

November 2, 1955

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

Gentlemen:

Re: Docket No. DMA-606 (Lead-Zinc)
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

Please be advised that the original notice cancelling Bond and Lease Agreement between Blue Bird Mining and Milling Company and U. S. Oil & Development Corporation and/or U. S. Metals Corporation, copy of which was mailed to you in my letter to you dated October 31, 1955, is dated October 31, 1955. It will be appreciated if you will insert the date upon your copy of the notice to agree with the date of the original notice.

Yours very truly,

C. H. Groves

CHG:pv

CHARLES H. GROVES
ATTORNEY AT LAW
711 CONTINENTAL OIL BUILDING
DENVER, COLORADO

RECEIVED
NOV - 7 1955

October 31, 1955

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

Gentlemen:

Re: Docket No. DMA-606 (Lead-Zinc)
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

I enclose herewith Notice of Cancellation of Bond and Lease Agreement between Blue Bird Mining and Milling Company and U. S. Oil & Development Corporation dated January 1, 1951.

Similar notices are being forwarded U. S. Oil & Development Corporation, U. S. Metals Corporation, Carl H. Peterson and Walter A. Falk. The original Notice is being forwarded to the Office of the County Clerk and Recorder of San Juan County, Colorado, for recordation.

Yours very truly,

C. H. Groves

CHG:pv
enc.

REGISTERED-RETURN RECEIPT REQUESTED

N O T I C E

WHEREAS, Blue Bird Mining and Milling Company, a corporation organized and existing under and by virtue of the laws of the State of Colorado, did on the 1st day of January, A.D., 1951 enter into an Agreement to Lease and Sell patented and Unpatented Mining Claims to U. S. Oil & Development Corporation, a corporation organized and existing under and by virtue of the laws of the State of Colorado under which said Agreement to Lease and Sell Patented and Unpatented Mining Claims the said Blue Bird Mining and Milling Company for and in consideration of the payments, royalties, covenants and agreements provided in said Agreement agreed to sell and convey to said U. S. Oil & Development Corporation all its right, title and interest in and to the following patented and unpatented mining claims lying and being in the Red Mountain Mining District in the County of San Juan, State of Colorado, to wit:

> GALENA, U.S.M.S. #1573; Berdilla, U.S.M.S. #1524; Blackstone, U.S.M.S. #1333; Del Mino Millsite, U.S.M.S. #15526B; Henrietta, U.S.M.S. #15526A; Home Run, U.S.M.S. #15526A; Humboldt, U.S.M.S. #15526A; Lizzie, U.S.M.S. #15520; Mineral King, U.S.M.S. #2051; Mineral Queen U.S.M.S. #1622; Narrow Gauge, U.S.M.S. #15526A; Game Cock, U.S.M.S. #19812; Also the following unpatented locations: Wilson, Gulch, Silver King, Juanita, Joe and John, Revenue, Paymaster, Commodore, J. C. Sibley, Tetrahedrite #1, Tetrahedrite #2, C.L.M., U. & I., Moodie #1 and Moodie #2; Also all its right, title and interest in the following patented claims: Prosperity U.S.M.S. #18621 and LaCross U.S.M.S. #18620,

and

WHEREAS said Agreement to Lease and Sell Patented and Unpatented Mining Claims provided inter alia as follows, to wit:

> "The Lessee hereby covenants and agrees to pay unto the Lessor a monthly property rental for said demised premises in the amount of Five Hundred and No/100 Dollars ($500.00) for the period June 15, 1951 to February 15, 1952, and a monthly property rental in the amount of Seven Hundred Fifty and No/100 Dollars ($750.00) each month thereafter until the full purchase price in the amount of Sixty Thousand and No/100 Dollars ($60,000.00) is fully paid. The said monthly property rentals to be paid on or before the fifteenth day of each and every calendar month for the month preceding that in which such payment is made, the first payment in the amount of Five Hundred and No/100 Dollars ($500.00) to be due and payable hereunder on July 15, 1951."

nderstood and agreed that each of the foregoing conditions, ions or covenants required of the Lessee is necessary for oper enjoyment of both parties in and to this Agreement and should Lessee fail to keep any covenant, condition or obliga- as hereinbefore set forth then, in that event, the said Lessor on giving ten (10) days' notice in writing addressed to the ssee at Denver, Colorado, declare this Agreement of Lease and Sale orfeited unless within said ten (10) days' period Lessee shall have done and performed each and every obligation, covenant or condition required of it to the date of said Notice and in the event of such cancellation or forfeiture said Lessor shall retain all payments made as liquidated damages and shall have the right to re-enter said premises and dispossess said Lessee or any person or firm holding by, through or under it using such force as may be necessary so to do and all rights hereby granted to the Lessee shall be terminated."

and

WHEREAS said Blue Bird Mining and Milling Company is informed and believes that said U. S. Oil & Development Corporation has transferred and assigned to U. S. Metals Corporation the said Agreement to Lease and Sell Patented and Unpatented Mining Claims made and entered into on the 1st day of January, A.D., 1951 as hereinabove described, and

WHEREAS there was delivered to said Blue Bird Mining and Milling Company on the fifteenth day of August, A.D., 1955, 15,000 shares of the Common Stock of Uranium Industries, Incorporated as partial payment for minimum property rentals due during the period April 15, 1955 to September 15, 1955, inclusive, which said stock on the fifteenth day of August, A.D., 1955 was quoted in all of the local markets 10¢ bid, 11¢ asked, and

WHEREAS said Blue Bird Mining and Milling Company has accepted 15,000 shares of the Common Stock of Uranium Industries, Incorporated at the bid price of 10¢ per share and credited the said U. S. Oil & Development Corporation and/or the said U. S. Metals Corporation with the sum of Fifteen Hundred and No/100 Dollars ($1,500.00) in payment of the minimum property rentals due on April 15, 1955 and upon May 15, 1955 leaving in arrears property rentals in the amount of Seven Hundred Fifty and No/100 Dollars ($750.00) each which became due and payable on June 15, 1955, July 15, 1955, August 15, 1955, September 15, 1955 and October 15, 1955, and

WHEREAS said Blue Bird Mining and Milling Company has made repeated written demands upon U. S. Oil & Development Corporation, U. S. Metals Corporation and their officers Carl H. Peterson and Walter A. Falk, for payment of the delinquent property rentals hereinbefore described, the last of which said demands were dispatched by regular United States mail on the 31st day of August, 1955, and

WHEREAS neither U. S. Oil & Development Corporation, U. S. Metals Corporation or anyone in their behalf has tendered or made any attempt to tender the said delinquent minimum property rentals.

NOW, THEREFORE, the said Blue Bird Mining and Milling Company acting by and under the covenants and agreements contained in said Agreement to Lease and Sell Patented and Unpatented Mining Claims hereinbefore quoted in part has cancelled and does hereby cancel said Agreement to Lease and Sell Patented and Unpatented Mining Claims made and entered into on the 1st day of January, A.D., 1951 by and between Blue Bird Mining and Milling Company and U. S. Oil & Development Corporation as the same may have been transferred, assigned and set over unto other parties particularly U. S. Metals Corporation and the said Blue Bird Mining and Milling Company does hereby declare said Agreement to Lease and Sell Patented and Unpatented Mining Claims forfeited and has re-entered said premises and dispossessed said Lessee or any person or firm holding by, through or under it and all rights reserved to the Lessee under and by virtue of the terms, covenants and conditions of said Agreement to Lease and Sell Patented and Unpatented Mining Claims are terminated.

Done at Denver in the County of Denver, State of Colorado this 31st day of October, A.D., 1955.

BLUE BIRD MINING AND MILLING COMPANY

By R. R. Maude
President

ATTEST:

Naomi H. Jones
Secretary

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

224 New Customhouse
Denver 2, Colorado

September 16, 1955

Memorandum

To: Chairman of the Executive Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMA-606 (Lead, Zinc, Copper), Contract I-DMA-E29, U. S. Metals Corporation, Henrietta mine, San Juan County, Colorado

Enclosed are three copies of a memorandum, dated September 12, 1955, by the inspecting engineer relative to nonresumption of project work under Contract I-DMA-E29. The engineer states that as of the time of his visit, September 7, 1955, conditions at the mine indicate conclusively that there has been no activity at the Henrietta mine this year prior to his visit. Under the terms of the suspension-termination clause in Amendment No. 12, as extended by Amendment No. 13, work was to begin on or before September 1, 1955. We have therefore advised the Operator by our letter of September 16, 1955, three copies of which are also enclosed, that because work had not commenced as required contract workwas terminated as of this date.

W. M. Traver

W. M. Traver

Enclosures

DMEA
Date Rec'd.

SEP 13 1955

BUREAU OF MINES
Denver, Colorado

Region III

Building 20
Denver Federal Center
Denver 2, Colorado
September 12, 1955

Memorandum

To: Executive Officer, DMEA Field Team, Region III

Through: John F. Shaw JFS
Supervising Mining Engineer

From: C. N. Harper

Subject: DMA 606, Contract I-206-139 (Zinc-lead-copper) Henrietta mine, U. S. Metals Corporation, San Juan County, Colorado - Status of contract.

The Henrietta mine was caved on September 7, 1955. The mine was completely inaccessible due to bad air and the condition of the surface plant, tramway and dump and the removal ventilation equipment indicates conclusively that there has been no activity for the past year up to September 8, 1955.

According to the terms of Amendment No. 12 of the contract, work under the contract was to be resumed not later than July 1, 1955, or be terminated.

John F. Shaw
C. N. Harper
Mining Engineer

cc 9
Kilbourne
Hill
Gibson

CNH/em

[redacted]

[redacted] New Customhouse
Denver 2, Colorado

[redacted]

September 16, 1955

Mr. Carl E. Peterson
U. S. Metals Corporation
[redacted] Mercantile Building
Denver, Colorado

Re: Docket [redacted]-606 (Lead, Zinc, Copper)
Contract I-[redacted]-[redacted]

Dear Mr. Peterson:

Amendment No. 13, dated August 5, 1955, which amended Contract I-[redacted]-[redacted], provided at your request an extension of the suspension period as provided in Amendment No. 12 from July 1, 1955 to a date not later than September 1, 1955. The suspension provision in Amendment No. 12 stipulated automatic termination of the exploration project contract if work was not resumed on or before September 1, 1955. Because work was not started as required, the project was therefore automatically terminated as of this date.

By the terms of the exploration project contract under which you are operating, the Government acquires an interest in property purchased for use on the project which is "... paid for or purchased with funds contributed jointly by the Operator and the Government...." Such property includes any individual items of equipment and facilities, buildings, or other fixtures costing more than $50.00 each. It also includes materials and supplies considered in groups or categories (such as pipe, explosives, rails, drill steel), if the original cost of the remaining unexpended portion of any such category of materials or supplies exceeded $50.00. As to any facility, building, fixture, or piece of equipment, and as to any such group or category of materials or supplies the original cost of which or the unexpended portion of which did not exceed $50.00, the Government does not assert any claim or interest under the terms of the contract.

The effect of the contract provisions is to make you the agent of the Government for the disposition of its interest in such property. Therefore it is your responsibility to make the best possible disposition of the property for the benefit of the Government. Every reasonable effort must be made to realize its full value.

Such reasonable efforts might include: (1) advertising in newspapers, periodicals, and posting notices in public places; (2) contacting users of and dealers in such property; and (3) negotiating with the original vendor for the repurchase of the property.

Should you wish to retain the property or, in effect sell it to yourself, you may do this only after first having made every reasonable effort to procure a price higher than you yourself are willing to pay; or you may buy the Government's equity by paying for it either on the basis of the original work or at a price higher than the highest bid obtainable from two independent bidders. In bidding on the property for yourself you should give consideration to the fact that the property is given in worth considerably more to you than if dismantled and disposed of elsewhere.

The undersigned is authorized to approve of and to join in the sale of such property for the joint account of the operator and the Government. You are requested to advise this office in advance of the proposed disposition of any such property so that we may advise you if the Government will approve thereof and join in the transaction. Please supply this office with the original and five copies of your liquidation proposal and all documents and other material relative to the property disposition.

According to the third interim Audit Report by the Contract Administration and Audit Division, total accepted costs of the project amounted to $82,996.18, with Government contribution of 50 percent, or $41,498.04. This on-site audit was completed at your offices during March 29 through May 5, 1954, and covered all project work completed through December 31, 1953, the last active month of the project. Actual Government contribution through the reporting period of May, 1953, the period prior to the last progress report and voucher, amounted to $41,850.98. Consequently, your final progress report and voucher, covering work completed in June, October, November, and December, 1953, was processed by this office for management. The work completed during these months is approved. However, to comply with the findings of the Audit Report, we wish to inform you that your company owes the Government the amount of $352.86, the difference between that amount already contributed by the Government and the accepted Government contribution as per the Audit Report. This amount pertains to project costs only and is not to be withheld as relative to the disposal of jointly purchased supplies and equipment.

Very truly yours,

W.M.Spence

W. M. Spence
Executive Officer
ERA Field Team, Region III

W.M.Spence
cc: Chairman, Operating Committee (3)
Members
Files (2)
Personnel
Correspondence, File # 20
Chron

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

224 New Customhouse
Denver 2, Colorado

September 16, 1955

Memorandum

To: Chairman of the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMA 606 (Lead, Zinc, Copper), Contract Idm-E29, U. S. Metals Corporation, Henrietta mine, San Juan County, Colorado.

Enclosed are the original and two copies of Amendment No. 13 executed by this office as requested by your letter of August 5, 1955. We sent you the original and two copies of the Operator's request, dated June 28, 1955, with our memorandum of July 5, 1955, at which time we referred the matter to you recommending that the request be denied.

The suspension-termination clause in Amendment No. 12, as extended by Amendment No. 13, provides that the work must be resumed by September 1, 1955, otherwise the contract is automatically terminated. This is to inform you that project work has not been resumed as provided. We therefore will inform the operator by letter that the project was terminated as of September 1, 1955.

W. M. Traver

Enclosures

W. M. Traver

Docket copy
Surname:
Talbert
Griswold
Ontin
Selfridge

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

SEP 12 1955

Mr. Carl H. Peterson, President
U. S. Metals Corporation
206-8 Mercantile Building
Denver, Colorado

Registered Mail
Return Receipt Requested

Re: Docket No. DMA-606 (Lead-Zinc)
Henrietta Mine
San Juan County, Colorado
Contract No. Ida-229

Dear Mr. Peterson:

Reference is made to the matter of your indebtedness for royalty due the Government in the amount of $2,055.67 under the provisions of the referenced contract as amended.

The records indicate that Mr. W. H. Traver, Executive Officer, DMEA Field Team, Region III, Denver, Colorado, has made numerous demands on you for the payment of this delinquent royalty. By letter dated July 20, 1955, in reply to one of those demands, you stated that "we will make every effort to take care of this obligation, if possible, before August 1st." Under date of August 4, 1955, you again requested that we "set this up to September 1st with the assurance that any day during this month the money comes in I will mail you a check." However, payment has not been received.

It is not within the authority of this Administration to postpone indefinitely such action as may be necessary to collect amounts properly due the Government. Accordingly, I must advise you that unless payment in the amount of $2,055.67 is received within sixty days from the date of this letter, it will be necessary to refer the matter to the Attorney General of the United States for appropriate action.

A copy of this letter is being sent to the Blue Bird Mining and Milling Company which executed the Owner's Consent to Lien.

Sincerely yours,

C. O. Mittendorf

Administrator

EDTalbert/wb
September 7, 1955

Copy to: Docket
Admr. Reading File
Administrator
Field Team, Region III (2)
Mr. Griswold
Mr. Chambers
Blue Bird Mining & Milling Co. (through Region III for forwarding to proper address)

R.L.B.

Docket
Talbot

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

SEP - 8 1955

Mr. Thomas H. Brading
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

AIR MAIL

Re: Ida-E29, DMA-606
Henrietta Mine
and
Ida-E309, DMA-1870
Joe and John Mine
U. S. Metals Corporation

Dear Tom:

According to our records the payment status of the subject contracts is as follows:

	E29	E309
Actually Paid to Operator	$41,659.92	$1,888.81
Last Interim Audit Certificate	41,298.06	1,816.25
Overpayment	$ 361.86	$ 72.56

On March 3, 1955 you advised us by teletype, in response to our request of March 2, 1955, that $1,991.30 under E29 and nothing under E309 was being withheld from payment to the Operator. Accordingly, we have assumed that the $1,991.30 was available for offset of the total overpayment of $434.42; however, your letter of August 25, 1955 in regard to your recent royalty audit indicates that the only Forms MF-104 remaining unpaid were included in the last interim cost audit of E29.

I am unable to reconcile the statements in your two separate communications, but it appears that the Operator is indebted to the Government for $434.42 in overpayments in addition to the $2,055.67 balance of royalties due as stated in your First Royalty Audit Certificate. A clarification of the status of this account would be appreciated.

The matter of collecting the unpaid royalties has been referred to this Division and a demand for payment, over the signature of the Administrator, is now being processed. This is the final step before referral to the Attorney General of the United States. It is noted,

R.C.S

however, that in each of his replies to the several demands for payment originated by the Executive Officer the Operator has specified the amount due as being $2,046.03, although in the first paragraph on page 4 of your Royalty Audit Report it is stated that "Mr. Alfred O. Brehmer, Treasurer of the Company, acknowledged to this auditor that the total balance due of $2,055.67 was substantially correct." Please furnish an explanation of the $9.64 difference, which is stated in your report as being "due to the Operator's claiming allowance not approved by this auditor."

It appears that both of these contracts were "automatically" terminated as of September 1, 1955, and that liquidation of property is in order. It is possible that this may result in further indebtedness to the Government since there are quite substantial amounts involved, i. e., $19,159.37 (per your letter of August 25, 1953, excluding the $4,835.53 for Initial Repairs & Rehabilitation, in which the Government has no equity under the terms of the contract) under E39 plus $1,524.88 under K309. Therefore, the final Audit Reports or Reports of Review should be prepared as expeditiously as is possible under the circumstances.

It appears advisable that referral of this matter to the Attorney General, if such action becomes necessary, should be held in abeyance pending determination of the Operator's total indebtedness to the Government. If you have any comments or suggestions they would be appreciated.

Sincerely yours,

(Signed) E. D. Talbert

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

EDTalbert/wb
September 8, 1955

Copy to: Docket (2)
Admr. Reading File
Mr. Chambers (2)

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

RECEIVED
SEP - 3 1955

224 New Customhouse
Denver 2, Colorado

September 1, 1955

Memorandum

To: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 606 (Lead-Zinc), Contract Idm-E29, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado.

The Washington DMEA Office requested that it be informed if the royalty payment of $2,055.67 requested by our letter of June 24, 1955, was not received.

This payment has not been received; therefore, this is a request that legal action be initiated by Washington DMEA personnel to force settlement of this account. Royalty Audit Certificate dated June 22, 1955 by the Contract Administration and Audit Division confirms this amount due of $2,055.67.

Please furnish us with two copies of all future correspondence regarding the collection of this account.

W. M. Traver

W. M. Traver

Talbert

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

AUG 2 9 1955

Mr. Thomas H. Breding
DMEA Auditor
224 New Customhouse
Denver 2, Colorado

Re: Royalty Audit
United States Metals Corporation
Contract Idm-229, Docket DMA-606

Dear Mr. Breding:

Reference is made to your letter of August 25, 1955, relative to your Royalty Audit Report covering the subject contract.

I concur with your alternate suggestion as stated in the second paragraph of the second page of your letter. Ordinarily, in similar situations where no Forms MT-104 have been received subsequent to the last audit, it is preferable to refer in your royalty audit report only to the findings of the cost audit.

In this particular case, however, the Washington copies of your Royalty Audit Report have been released after the addition of the footnote on page 1, as stated in my letter of August 22. Accordingly, and without establishing a precedent, I believe it would be best for you to make the same footnote on the field copies and then effect normal distribution.

No difficulties in this matter are anticipated even if our claim should eventually be presented to the Attorney General of the United States. Such a claim, provided no partial settlement is made by the Operator, would be stated in two amounts, (1) the amount of royalty due and (2) the amount of the overpayment including the Government's property salvage.

Sincerely yours,

(Signed) E. D. Talbert

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

EDTalbert/wb
August 29, 1955

Copyto: Docket
Admr. Reading File
Mr. Chambers

R.G.F.

Talbert

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

22 1955

Mr. Thomas H. Brading
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

AIR MAIL

Re: Royalty Audit
United States Metals Corp.
Idm-E29, DMA-606

Dear Mr. Brading:

Receipt is acknowledged of the Washington copies of the First Royalty Audit Certificate and Report covering the referenced exploration project.

The copies of the Report have been amended by inserting an asterisk (*) after the amount of $41,659.92 appearing at the end of the penultimate paragraph on page 1 and adding the following footnote at the bottom of the page:

> "*An Interim Audit Certificate issued by Donald T. Finch, DMEA Auditor, on April 12, 1954, states acceptable costs of $82,596.12 and valid payments of $41,298.06, thereby indicating an uncollected overpayment by the Government of $361.86."

After these addenda are made on the original and all other copies, the Report and Certificate will be acceptable and normal distribution is authorized. However, advice would be appreciated as to why shipments only through February 11, 1954, were included although the audit was performed on May 27, 1955.

Sincerely yours,

(Signed) E. D. Talbert

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

EDTalbert/wb
August 22, 1955

Copy to: Docket
Admr. Reading File
Mr. Chambers

File Copy
Surname
Griswold
Selfridge
Mittendorf

500

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

Mr. W. M. Traver, Executive Officer
DMEA Field Team, Region III
224 New Customhouse Building
Denver 2, Colorado

AUG 22 1955

Re: Docket No. DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-829

Docket No. DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe & John Mine
San Juan County, Colorado
Contract No. Idm-E309

Dear Mr. Traver:

We have your memorandum of August 11, with enclosures, covering the cited dockets. We note the present conditions reported at the properties in question.

Actually, we had little expectancy that any operations would really be resumed by September 1. However, as a policy matter, we considered it inadvisable to refuse a request for six additional weeks of recess, when the access roads were known to be impassable at the time.

On September 1, if work has not been resumed, this Operator should be advised that the contracts are terminated, as delineated in the amendments to the contracts. Also, he should be instructed to proceed with all necessary winding-up and settlement actions.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (WB)

APPROVED:

/s/ Robert W. Geehan (WB)
Member, Bureau of Mines

Thor H. Kiilsgaard (WB)
Member, Geological Survey

WRGriswold/er 8/17/55
Copy to: Docket (2)
Admr R. File
Op. Committee
Base Metals (2)
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

August 19, 1955

Noted
Com

Memorandum

To: The Files

From: George C. Selfridge
Special Assistant

Subject: DMEA-606, Contract Idm-E29 (Lead-Zinc), U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado.
DMEA-1870, Contract Idm-E309 (Lead-Zinc), U. S. Metals Corporation, Joe and John Mine, San Juan County, Colorado.

During a telephone conversation today Mr. Traver informed the writer that the Region was preparing amendments extending the recess period for each contract to September 1, 1955, as requested by Washington. The writer explained to Mr. Traver why a short recess was given. He also informed him that Washington was sending letters authorizing him to advise the operator that the contracts were automatically terminated if it was learned that he had not started work by September 1, 1955.

George C. Selfridge
George C. Selfridge

GCSelfridge/hb

Copy to: Docket File
Admr. R. File
C. O. Mittendorf
Frank E. Johnson
Mr. Selfridge
Mr. Griswold

File Copy
Surname
Griswold
Talbut
Selfridge
McCarthy

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

AUG 17 1955

W. H. Traver
ecutive Officer
MEA Field Team, Region III
24 New Customhouse Bldg.
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

Dear Mr. Traver:

We have your memorandum of August 9, enclosing a letter from the Operator pertaining to delinquent royalty.

The requested extension to September first for payment has our approval. It is hard to set a general rule to cover all cases, yet we may say that we wish to resort to legal action only when it seems that no other procedure remains possible.

As long as an Operator appears to be honestly desirous of liquidating his indebtedness, and there appears to be a reasonable possibility that payment will actually be made, we are inclined to withhold legal action.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (GCS)
WRGriswold/er 8/12/55

APPROVED:

/s/ Robert W. Geehan (GCS)
Member, Bureau of Mines

Thor H. Kiilsgaard (GCS)
Member, Geological Survey

Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Mr. Chambers, DMEA
Chron.

P. S. Please notify us immediately if payment is not made by September 1, 1955.

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

224 New Customhouse
Denver 2, Colorado

RECEIVED
AUG 15 1955

August 11, 1955

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: DMA-606 (Lead-Zinc) Contract No. Idm-E29
U. S. Metals Corporation (Henrietta Mine)
San Juan County, Colorado
and
DMEA-1870 (Lead-Zinc) Contract No. Idm-E309
U. S. Metals Corporation (Joe and John Mine)
San Juan County, Colorado

Enclosed are four copies of two interim memoranda reports prepared by the U.S.B.M. inspecting engineer and initialed by John F. Shaw, Supervisor. These memoranda cover the status of both subject contracts more than a month after the Operator was notified verbally of a two months' extension. They result from inspections made immediately after August 1st on instructions from this office.

According to your letter of July 14, 1955, you are preparing amendments to both contracts extending the recess for two months. The enclosed memoranda may influence your decision.

W. M. Traver

W. M. Traver

Enclosures

Building 20
Denver Federal Center
Denver 2, Colorado
August 9, 1955

RECEIVED
AUG 15 1955

Region III

Memorandum

To: Executive Officer, DMEA Field Team, Region III

Through: John F. Shaw
Supervising Mining Engineer

From: C. M. Harrer

Subject: DMA 606, Contract I-DMA-E29 (zinc-lead-copper) Henrietta mine, U. S. Metals Corporation, San Juan County, Colorado - Progress report and status of the contract.

The Henrietta mine was examined by the writer and John F. Able, engineering aide on August 3, 1955. The mine was completely inaccessible 100 feet in from the portal due to bad air. The condition of the tracks, sump, surface plant, and removed ventilation equipment indicates that the mine has been completely shut down for at least a year and up to August 3, 1955.

Mr. P. H. Buhter, leasing at the Lark mine near by stated that there has been no activity from the fall of 1954 to date.

Under amendment 12 to the contract, work should have been resumed not later than July 1, 1955.

for John F. Shaw
C. M. Harrer
Mining Engineer

CMH:jw

cc: 8
EMHarshman
E29
Chron.

File Copy
Surname

Griswold
Talbert
Martin
Johnson

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

AUG - 5 1955

Mr. W. H. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg.
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

Dear Mr. Traver:

Referring to our letter of July 14, we are enclosing the original and five copies of Amendment No. 13 to the cited contract.

If it meets with your approval, please present it to the Operator for signature and, when completed, distribute the copies in the usual manner. Otherwise, all copies should be returned to us with your comments.

Sincerely yours,

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

Enclosures

WRGriswold/er 8/3/55
Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

APPROVED:

/s/ Robert W. Geehan (JHB)
Member, Bureau of Mines

/s/ M. E. Nelson (JHB)
Member, Geological Survey

P.C.G.

Docket Co

EXPLORATION PROJECT CONTRACT
U. S. METALS CORPORATION
DOCKET NO. DMA-606

AMENDMENT NO. 13

It is agreed this _____ day of _____, 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and U. S. Metals Corporation, that Exploration Project Contract Idm-E29, Docket No. DMEA-606, dated June 27, 1951, as amended, is further amended effective June 4, 1953, as follows:

1. In Amendment No. 12:

(a) In Paragraph 2 (a), the period for suspension of work is further extended to not later than September 1, 1955.

(b) In Paragraph 3, the period for completion is further extended to June 27, 1956.

(c) In Paragraph b. of Annex II, the period "fourteen years" is substituted for the period "thirteen years."

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

U. S. Metals Corporation

By_____
Administrator, Defense Minerals
Exploration Administration

By_____

_____

Approved Sol. Off.

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

RECEIVED
AUG - 8 1955

224 New Customhouse
Denver 2, Colorado

August ~~5, 1955~~

Mr. Carl Peterson, President
U. S. Metals Corporation
205-11-16 Mercantile Building
Denver, Colorado

Re: Docket DMEA 606 (Lead-Zinc)
Contract Idm-E29

Dear Mr. Peterson:

In your letter of July 20, 1955 you stated that you expected to complete settlement with the Government by August 1, 1955 for royalty payments amounting to $2,055.67. We would appreciate hearing from you by August 15, 1955 in regard to this matter.

Very truly yours,

W. M. TRAVER

W. M. Traver,
Executive Officer, DMEA
Field Team, Region III

WLD/vj

cc: Royalty File E29
Shaw (2)
Sec. Opr. Comm. (2)
Berkenkotter
Chron.

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

224 New Customhouse
Denver 2, Colorado

August 9, 1955

Memorandum

To: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments - DMEA Docket 606 (Lead-Zinc), Contract Idm-E29, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado.

On June 24, 1955 this office requested payment of delinquent royalties amounting to $2055.67 from Mr. Carl H. Peterson, President of U. S. Metals Corporation. Mr. Peterson replied that they would settle this account if possible before August 1st. Again on August 5, 1955 we wrote to Mr. Peterson and stated that we would appreciate hearing from him by August 15, 1955 regarding this matter. Mr. Peterson has replied and requested an extention of the payment due date to September 1, 1955. We are enclosing a copy of Mr. Peterson's August 4, 1955 letter for your files.

Please advise if the requested extention has the approval of the Washington DMEA office.

W. M. Traver

W. M. Traver

Enclosure

RECEIVED
AUG 11 1955

Rare Metals

CARL H. PETERSON

Office
206-9 Mercantile Bldg.
Denver, Colorado
Td. AMherst 6-0072

Home
4937 Tejon
Denver, Colorado
Td. GRand 7-4791

Mr. William Traver
Executive Officer
Bureau of Mines
New Customs Building
Denver, Colorado

Dear Mr. Traver:

I have been waiting to get for deals for the 32 Henry Mountain claims sold in California so I could send you the check for $2046.03 royalty, which I promised you.

It is impossible for us to pay this account until I get this money from Mr. Falk in California as he is handling this sale.

I hope you will be kind enough to set this up to September 1st with the assurance that any day during this month that the money comes in I will mail you a check.

Hoping you can accommodate us in this matter, I remain

Very truly yours,

Carl H. Peterson

File Copy
Surname

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

August 1, 1955

Memorandum

To: Acting Assistant Solicitor, Defense Minerals

From: Chief, Base Metals Division

Subject: Preparation of Amendment for Docket No. DMA-606, Contract No. I-DMA-E29, U. S. Metals Corporation, Henrietta Mine, San Juan, County, Colorado, Lead-Zinc.

Will you please make an amendment to the cited contract which will:

Extend the recess period from July 1, 1955 to September 1, 1955.

Preserve the "pseudo-certification" provisos of the last amendment.

Extend the completion period to June 27, 1956.

Extend the repayment period to 14 years.

W. R. Griswold
W. R. Griswold

WRG/er

Copy to: Docket
Base Metals
Chron.

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

RECEIVED
JUL 25 1955

224 New Customhouse
Denver 2, Colorado

July 20, 1955

Memorandum

To: Secretary to the Operating Committee

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, Docket DMEA-606 (Lead-Zinc), Contract Idm-E29, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado

In reply to our letter of June 24, 1955, of which you were furnished copies, the enclosed letter from Carl H. Peterson has been received.

Mr. Peterson states that payment will be made by August 1, 1955. If we do not receive payment by that time, we will again write to Mr. Peterson demanding payment.

W. M. Traver

Enclosure

RECEIVED
JUL 25 1955

July 20, 1955

Mr. William Traver
Executive Officer, DMEA
Region IV
224 New Customs Building
Denver, Colorado

RE: Henrietta Mine - DMEA 606
Contract IDM E-29

Dear Mr. Traver:

With reference to the royalty of $2045.03 which Washington decided to rule against us on; they stating that we had an interest in the Pride Mill which, of course, was very, very erroneous as we never had or expect to have any interest in the Pride Mill and, as we understand it, if we had shipped ore to the Shennodoah we would not have been liable for this royalty. This, of course, is beyond our understanding, but of course there is nothing for us to do but reconcile ourselves to the fact that when Uncle Sam makes a ruling that is the ruling we have to follow, so we will make every effort to take care of this obligation, if possible, before August 1st.

The reason that we are short of funds is that we have used every available dollar for uranium investments, and we have $15,000.00 due us from Joe Auringer of Cortez, Colorado, that was due June 17th and he has not paid it and I have turned it over to John Heyman, an attorney at Telluride for collection. We have sold one group of claims on the Colorado Plateau for $32,000.00, also another group of claims in the Pumpkin Butte area for $32,000.00 , which money I anticipate will be in between now and August 1st. This money must come in before we can pay this royalty , therefore, I sincerely trust that you will bear with us until we receive this money.

Thanking you for past courtesies, I remain

Very truly yours,

Carl H. Peterson

Carl H. Peterson

CHP:w

File Copy
Surname,

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

JUL 14 1955

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg.
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

Docket No. DMEA-1870 (Lead-Zinc)
U. S. Metals Corporation
Joe & John Mine
San Juan County, Colorado
Contract No. Idm-E309

Dear Mr. Traver:

We have your July 5 letter covering the cited projects.

We can appreciate your position in recommending that the application for continuance of recess be denied. Likewise, we are in full accord that past experience with these two contracts has been unsatisfactory. Nevertheless, if we were to refuse a request for such a short time extension as six weeks, especially at a time when the access road was known to be impassable, we would be inviting criticism.

Therefore, it seems better that we prepare amendments permitting an additional recess of two months on these projects.

Regarding the royalty payments which are due, it is our suggestion that, if possible, you arrange a meeting with a representative of the Operator. Naturally, it is desirable that all sums due be paid promptly, but it may be that such a settlement cannot be obtained.

If it is not possible to obtain a prompt and full settlement, perhaps arrangements can be made whereby, in the future, a certain percentage can be discounted monthly from sums which may be due the Operator for work done under the contract. If it is possible to work out some practical royalty arrangement which the Operator will endorse in writing, it should then be forwarded to us for our approval.

Likewise, if work under the contract is actually resumed, it would be well to withhold a certain sum monthly to provide for any Government equity in equipment purchased under the contract. Obviously, any funds which may presently be due the Operator for past work should be retained.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (GHB)

APPROVED:

/s/ Robert W. Geehan (GHB)
Member, Bureau of Mines

Thor H. Kiilsgaard (GHB)
Member, Geological Survey

WRGriswold/er/bjl (7/13/55)

Copy to: Docket (2)
Admr. R. File
Op. Committee
Base Metals (2)
Mr. Bishop
Mr. Kiilsgaard
Chron.

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

224 New Customhouse
Denver 2, Colorado

RECEIVED
JUL 11 1955

July 5, 1955

Memorandum

To: Chairman, Operating Committee, DMEA

From: DMEA Field Team, Region III

Subject: Docket DMEA-606 (Lead-Zinc-Copper), Contract I-DMA-E29, U. S. Metals Corp., (Henrietta mine), San Juan County, Colorado and Docket DMEA-1870 (Lead-Zinc), Contract Idm-E309, U. S. Metals Corp., (Joe and John mine), San Juan County, Colorado

There is attached the original and three copies of a request addressed to Regional Director Jack East by the operator of the subject contracts for an extension of the suspension period six weeks from July 1, 1955.

Both contracts are covered either by suspension-termination agreement or amendment with the effective date for restarting operations set for July 1, 1955.

The Region III Field Team interprets this and the operator understands that it means restarting work on July 1, 1955 at the site of the previous operations. This in this case is impossible, as it is known that the access road from Gladstone to the properties was impassable on the date of the operator's request.

While we are sympathetic toward lead-zinc operators, past experience with this operator has been very unsatisfactory, and it is doubtful if there will be any improvement if he is permitted to continue operations. There is no assurance due to the length of suspension that he will be able to regain entrance to the site of previous operations within a reasonable time because of the condition of the mine workings in both properties. It is known also that he intends to subcontract the work with this contract so written as to allow him when operations are started under the Government contract to realize a profit over and above what he pays the subcontractor.

He is in arrears over $2,000 in royalties on Contract I-DMA-E29 and has failed to respond to a demand for payment.

The authority to extend the work suspension is not within that delegated to the Region III Field Team. Accordingly it is submitted to the Operating Committee with the recommendation that it be denied.

DMEA Field Team, Region III

W. M. Traver

E. N. Harshman

Enclosures

RECEIVED
JUL 11 1955

Uranium · Base Metals · Rare Metals

CARL H. PETERSON

Office:
206-8 Mercantile Bldg.
Denver, Colorado
Tel. AMherst 6-0072

Home:
4307 Tejon
Denver, Colorado
Tel. GRand 7-4791

DMEA
Date Rec'd
JUN 29 1955
BUREAU OF MINES
Denver, Colorado

June 28, 1955

Mr. Jack East,
Regional Director
Bureau of Mines
New Custom Building
Denver, Colorado

RECEIVED
JUL 11 1955

RE: Henrietta Mine - DMEA 606
IDMA E-29

Joe & John Mine - DMEA 1870
IDM E-309

Dear Mr. East:

We started working at the Henrietta and Joe & John mines on the 22nd, and we find it is going to take us probably a minimum of six weeks of cleaning up work before we can get into the tailings headings when we quit in February 15, 1954; before we would be able to participate in the government match funds; therefore, we ask you to kindly set up these two contracts for about six weeks.

Very truly yours,

Carl H. Peterson
Carl H. Peterson
by W

CHP:w

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

224 New Customhouse
Denver 2, Colorado

November 22, 1954

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket No. DMA 606 (Lead-Zinc), Contract I-DMA-E29, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colo.

Enclosed are the Government's, Division, and Docket copies of Amendment No. 12 to Contract I-DMA-E29 which was prepared in Washington and forwarded by your letter of November 2, 1954, for signature by the Operator.

Copies of the amendment have been given to the Operator, the Finance Office, Region IV, and a copy retained for our files.

John F. Shaw
for W. H. King

Enclosures

File Copy
Surname
Griswold
Talbot
Selfridge

UNITED STATES 500
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

NOV 2 - 1954

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm- 129

Dear Mr. King:

Referring to your letter of September 3, 1954, we are enclosing the original and five copies of Amendment No. 12 to the cited contract. In view of the opinion expressed in your letter as to a possible date for resumption of work, we have continued the recess until July 1, 1955. You should advise this Operator that if work is not resumed on or before such date, we probably could not allow for any further period of recess, and that the contract would thereby be terminated.

If the amendment meets with your approval, please present it to the Operator for signature and distribute the copies in the usual manner. Otherwise, all copies should be returned to us with your comments.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (GCS)

Enclosures 6

WRGriswold/bjl (10/28/54)

APPROVED:

J. H. Hedges (JHH)
Member, Bureau of Mines

E. L. Newcomb (ELN)
Member, Geological Survey

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kiilsgaard
Chron.

R.C.S.

File Copy
Surname

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

October 14, 1954

Memorandum

To: Acting Assistant Solicitor, IMEA

From: Chief, Base Metals Division

Subject: Docket No. DMA-606, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado, Contract No. Idm-E29, (Lead-Zinc)

Will you kindly prepare an Amendment No. 12 to the cited contract which will provide as follows:

1. Continue the recess period from June 4, 1953 to July 1, 1955.

2. Extend the completion period from 42 months to 54 months.

3. Repayment period extended to 13 years.

4. Automatic contract termination if work is not resumed on or before July 1, 1955.

5. If work not started, a "pseudo certification" to take effect.

W. R. Griswold

W. R. Griswold

WRG/er 10/14/54

Copy to: Docket
Base Metals
Chron.

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

224 New Customhouse
Denver 2, Colorado

October 5, 1954

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA-606 (Lead-Zinc), Contract I-DMA-E29, U.S. Metals Corporation, San Juan County, Colorado

Enclosed are the Government, Division, and Docket copies of Amendment No. 11 of the Contract I-DMA-E29 which was prepared in Washington and forwarded to this office for signature by the operator by your letter of July 29, 1954.

Also enclosed are the original and two copies of Form MF-203, Owner's Consent to Lien, which have been executed by the owner as requested in your letter of July 29, 1954. In addition we are enclosing the original and two copies of the operator's letter of July 2, 1954 requesting extension of recess period.

Copies of the Amendment have been given to the operator, the Finance Office, Region IV, and a copy retained for our files.

W. H. King

W. H. King

Enclosures

U. S. MINERAL CORPORATION
200 Mercantile Building
Denver 2, Colorado

July 2, 1954

Mr. J. B. King, Executive Officer
Field Team, Region IV
334 New Customhouse
Denver, Colorado

RE: DMA/5329

Dear Mr. King:

We ask permission to extend the recess period on the subject contract from July 1, 1954 to September 1, 1954, due to the fact that it has been impossible to hire good men for this type of work.

All of the reputable and educationlous men have left Silverton, Colorado to work in the uranium fields in Western Colorado and Southeastern Utah.

As soon as we are able to employ suitable men we will notify you of our intentions to resume work on the project, on or before September 1, 1954.

Respectfully submitted,

U. S. MINERAL CORPORATION

Carl E. Peterson

Carl E. Peterson, Secretary

File Copy
Surname

Signed
Selfridge
Kf Summ
Matthewson

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

OCT 5 1954

WRGriswold/er, Rm. 4058, Ext. 3669

Base Metals Division, DMEA

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

TELETYPE
XXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX

Date:

To: W. H. King, Executive Officer, DMEA Field Team, Region IV, Denver, Colorado

Report October 1, Docket DMA 606, U. S. Metals Corporation, Contract IDM-E29, Amendment being held up pending execution and return of Amendment No. 11. Docket DMEA-1870, Contract IDM-K309, Amendment being prepared for extending recess period.

George C. Selfridge
Chairman, Operating Committee (JB)

(written 10/5/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop (USBM)
Mr. Kiilsgaard, (USGS)
Accounts
Confirmation
Chron.

SENT
OCT 5 1954
Clerical Service Section
Rt

R.C.G.

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

224 New Customhouse
Denver 2, Colorado

September 3, 1954

Memorandum

To: Chairman of the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket No. DMEA 606 (Zinc-Lead-Copper), Contract No. I-DMA-E29, U. S. Metals Corporation, San Juan County, Colorado

Enclosed are the original and three copies of a letter dated August 30, 1954 from Carl H. Peterson, Secretary of U. S. Metals Corporation, wherein they request permission to extend the recess period under the subject contract from September 1, 1954 to January 1, 1955 due to the fact that they have been unable to locate competent labor personnel.

It appears to us that the Operator is stalling in resuming work under the contract, although we will concede that the uranium field has attracted the majority of the qualified labor personnel in that district. It is very doubtful if the Operator would be able to resume work after about October 15 due to winter conditions at the site of the project. Therefore, even though recess of period is extended to January 1, 1955, it will in all probability be necessary to extend it further to about July 1, 1955. The matter is forwarded for your consideration and appropriate action.

W. H. King

Enclosures

208 Mercantile Building
August 30, 1954

Mining Division
Date Rec'd
AUG 31 1954
BUREAU OF MINES
Denver, Colorado

Mr. W. H. King,
Executive Officer, Region IV
224 New Customhouse
Denver, Colorado

Re: DMA #E29

Dear Mr. King:

We ask permission to extend the recess period on the subject contract from September 1, 1954 to January 1, 1955, due to the fact that we have been unable to locate competent men.

If we are able to find desirable men that will start to work before January 1, 1955 we will notify you when we can start work on the project.

Respectfully submitted,

U. S. METALS CORPORATION

Carl H. Peterson

Carl H. Peterson, Secretary

CHP:gd

File Copy
Surname

Surname
Selfridge
K Johnson

500

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

JUL 29 1954

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Ida-E29

Dear Mr. King:

Referring to your teletype of July 8, regarding an amendment to the cited contract, we are enclosing the original and five copies of Amendment No. 11 which permit recession of work until September first, as requested by the Operator.

We note your statement that delay in resuming work will necessitate another suspension over the winter months, with the consequent requirement of a further extension of the completion date (presently December 27, 1954). Since this Operator has recently shown its good faith by remitting $1,064.52 which was due on royalty payments, we probably would be willing to make such necessary provisions upon specific recommendations from you when the need arises.

We are enclosing two copies of a memorandum dated July 22, from the Acting Assistant Solicitor, DMEA, in which he notes that a new Owner's Consent to Lien is desirable. Seven copies of the form (Revised July 1, 1954) are enclosed.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (24B)

Enclosures 15

WRGriswold/bjl (7/27/54)

APPROVED:

J. H. Hedges
Member, Bureau of Mines (24B)

D. M. Larrabee
Member, Geological Survey (24B)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Gildersleeve
Mr. Bishop
Chron.

R.C.S.

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

July 22, 1954

Memorandum

To: The Administrator, DMEA
Through: Mr. W. R. Griswold

From: Acting Assistant Solicitor, Defense Minerals

Subject: U. S. Metals Corporation, Docket No. DMA-606 (Zinc-Lead-Copper), Contract I-DMA-E29

Attached is Amendment No. 11 to the above-captioned contract in satisfactory legal form for execution, subject to the following:

The Owner's Consent to Lien in this case is on a late form (Revised July 1, 1953), and a new one would not be required because of the inclusion of the latest royalty provisions. However, it does cover a period of only 10 years, and the royalty provisions are for a period of 12 years from the date of the contract. In this circumstance, a new Owner's Consent to Lien covering the period of 12 years is desirable.

J. L. Hofflund
J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

Attachments 6

DMEA
File Copy
Surname

Rubin
Hofflund

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

July 22, 1954

Memorandum

To: The Administrator, DMEA
Through: Mr. W. R. Griswold

From: Acting Assistant Solicitor, Defense Minerals

Subject: U. S. Metals Corporation, Docket No. DMA-606 (Zinc-Lead-Copper), Contract I-DMA-E29

Attached is Amendment No. 11 to the above-captioned contract in satisfactory legal form for execution, subject to the following:

The Owner's Consent to Lien in this case is on a late form (Revised July 1, 1953), and a new one would not be required because of the inclusion of the latest royalty provisions. However, it does cover a period of only 10 years, and the royalty provisions are for a period of 12 years from the date of the contract. In this circumstance, a new Owner's Consent to Lien covering the period of 12 years is desirable.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

Attachments 6

HCRubin:ep

Copy to: Solicitor's Docket
DMEA Docket
Mr. Griswold (2)
Mr. Hofflund
Mr. Rubin
Chron.

File Copy
Surname
500 Griswold

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

July 13, 1954

Memorandum

To: Acting Assistant Solicitor, DMEA

From: Chief, Base Metals Division

Subject: Docket No. DMA-606, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado, Contract No. 1-DMA-429, (Lead-Zinc)

Docket No. DMA-1870, U. S. Metals Corporation, Joe and John Mine, San Juan County, Colorado, Contract No. Idm-1309, Amended, (Lead-Zinc)

As requested in the teletypes of July 8th from Mr. W. M. King will you kindly prepare amendments recessing each of these projects until September 1, 1954.

W. R. Griswold

W. R. Griswold

WRGriswold:er

Copy to: Docket (2)
Base Metals
Chron.

File Copy
Surname

Griswold
Selfridge
Hedges
Guild
Johnson
Mullendorf

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

WRGriswold/bjl, Rm. 4058, Ext. 3660

TELETYPE

July 9, 1954

Base Metals Div., DMEA

[redacted]

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

Date:

To: W. H. King, Executive Officer, DMEA Field Team, Region IV, Denver, Colorado

Reurtt July 8, Docket DMA-606, Contract Idm-B29, and Docket DMEA-1870, Amended Contract Idm-F3C9, both of U. S. Metals Corporation. We will prepare necessary amendments here and forward to you.

George C. Selfridge

George C. Selfridge (GCS)
Chairman, Operating Committee

(written 7/9/54)

Copy to: Docket (2)
Admr. R. File
Op. Committee
Base Metals (2) (DMEA)
Mr. Bishop (USBM
Mr. Gildersleeve (USGS)
Chron.

R.C.J.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 8 1954

Mr. George Selfridge
7-8-54
1:10 P.M.

BUR MINES DN 235 7-8-54 10-05 AM

GEORGE C SELFRIDGE

REFERENCE DOCKET DMEA 606, CONTRACT IDM-E29, AND DOCKET 1870, CONTRACT IDM-E309, U. S. METALS CORPORATION. OPERATOR REQUESTS EXTENSION OF RECESS PERIOD FROM JULY 1,1954 TO ON OR BEFORE SEPTEMBER 1,1954, BECXXX BECAUEXXXX BECAUSE OF INABILITY TO OBTAIN QUALIFIED LABOR PERSONNEL. QUALIFIED LABOR SITUATION IN THE AREA IS CRITICAL, HOWEVER, DELAY IN RESUMING WORK WILL NECESSITATE ANOTHER SUSPENSION OF WORK OVER THE WINTER MONTHS WITH THE RESULT OF THE NECESSITY OF A FURTHER EXTENSION OF THE COMPLETION DATE, A MATTER OF DMEA POLICY ON WHICH WE HESITATE TO MAKE A RECOMMENDATION UNDER THE CIRCUMSTANCES.

W H KING

Denver, Colo.

JUL 8 2 07 PM '54
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

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

224 New Customhouse
Denver 2, Colorado

June 8, 1954

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA-606 (Lead-Zinc), Contract I-DMA-E29, U.S. Metals Corporation, Henrietta Mine, San Juan County, Colorado

Enclosed are the Government, Division and Docket copies of Amendment No. 10 to Contract I-DMA-E29 which was prepared in Washington and signed by you for the Government to authorize a recess of operations to not later than July 1, 1954, extend the period for completion of the project work from 30 months to 42 months and amend article 14 by substituting the provisions of Annex I attached to and made a part of the amendment. Also enclosed are three copies of a letter from the operator dated May 24, 1954 by which he rendered checks totaling $1064.52 as royalty due the Government on shipments T1 to T7 and No. 1 to No. 4 inclusive. Also enclosed are the original and two copies of Form MF-203 Owner's Consent to Lien.

Inasmuch as the operator has complied with the requirements outlined in the letter from the Chairman of the Operating Committee dated February 16, 1954, we have released the amendment to the operator.

A copy of the amendment has been given to the Finance Office, Region IV, and a copy retained for our files.

W H King

W. H. King

Enclosures

Chairman. Opr. Committee DMEA
Oct 6 1954
12:22 P.M.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 6 1954

DN 235 BUREAU MINES 10-6-54 10-22 AM

CHAIRMAN, OPERATING COMMITTEE
DMEA

REURTT OCTOBER TXXX 5, DOCKET DMA 606, CONTRACT IDM-E29, U. S. METALS CORPORATION, AMENDMENT NO.11 WITH NEW OWNER S CONSENT TO LIEN BEING FORWARDED TODAY.

W H KING

Denver, Colo.

OCT 6 12 25 PM '54
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

Chairman Oper. Committee
DMEA 10-1-54
3:43 PM.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT - 4 1954

DN 235 BUREAU MINES Q / 10-1-54 1-36 PM

~~EA~~
DHAIRMAN, OPERATING COMMITTEE,
DMEA

REFERENCE DOCKET DMEA 606, CONTRACT IDM-E29, DOCKET DMEA 1870, CONTRACT IDM-E309, U. S. METALS CORPOAXXX CORPORATION, OUR MEMORANDA SEPTEMBER 3,1954. PLEASE TELETYPE ADVICE AS TO STATUS OF AMENDMENTS TO EXTEND RECESS PERIOD.

W H KING

Denver, Colorado

OCT 4 7 57 AM '54
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

Mr. George Selfridge
Sept. 14, 1954
3:15 P.M.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
SEP 14 1954

DN 235 BUREAU MINES 9-14-54 12-17 PM

CHAIRMAN, OPERATING COMMITTEE
DMEA

REFERENCE DOCKET DMEA-606, CONTRACT IDM-E29, U. S. METALS CORPORATION, OUR MEMEIXXX MEMORANDUM OF SEPTEMBER 3,1954. EXECUTION AND RETURN TO THIS OFFICE OF AMENDMENT NO.11 DEFERRED BY OPERATOR PENDING EXECUTION OF NE W OWNERS CONSENT TO LIEN BY OWNERS.

J F SHAW FOR W H KING

Klenner, Col.

SEP 14 3 46 PM '54
BUREAU OF MI
MAIL ROOI
WASHINGTON

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

224 New Customhouse
Denver 2, Colorado

May 19, 1954

Mr. Carl H. Peterson, Secretary
U. S. Metals Corporation
Mercantile Building
1031 Fifteenth Street
Denver 2, Colorado

Re: Docket DMEA 606 (Lead-Zinc)
Contract Idm-E29

Dear Mr. Peterson:

Records presently in this office indicate that royalty is due and payable to the Government in the amount of $1,064.52 on shipments T1 to T7 inclusive, and shipments 1 to 4 inclusive, on the dates June 20, June 30, July 21, and July 31, 1953, respectively.

We understand that additional shipments have been made subsequent to July 31, 1953 on which we have not been furnished copies of the settlement sheets or royalty payments.

Before Amendment No. 10 authorizing a recess of operations to not later than July 1, 1954 can be released to you, the matter of royalties due the Government to date must be satisfactorily resolved.

Please advise us at your earliest convenience as to when we may expect to receive your payment of royalties due the Government under the terms of the contract.

Very truly yours,

W. H. King
Executive Officer, DMEA
Field Team, Region IV

JWT:jp
cc Contract
Chron
Royalty
RDBerkenkotter
WMTraver
AHKoschmann
JWTownsend
Chairman, Oper. Committee

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

APR 21 1954

Mr. Donald T. Finch
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

Re: Idm-E29, DMA-606
(Henrietta Mine)
and
Idm-E309, DMA-1870
(Joe and John Mine)
U. S. Metals Corporation

Dear Mr. Finch:

Receipt is acknowledged of your Audit Reports and Certificates covering the above-cited contracts with the U. S. Metals Corporation.

The Reports and Certificates are acceptable and may be distributed in the usual manner.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

WBorovies/wb
April 21, 1954

Copy to: Docket
Admr. Reading File
Mr. Chambers

R.C.B.

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 1 - 1954

pose
ado

February 26, 1954

on, Secretary
orporation
ercantile Bldg.
o

Re: DMEA Docket 000 (Lead-Zinc)
Contract I-DMA-129

rson:

Reference is made to the letter from U.S. Metals Corporation, dated er 14, 1953, signed by Alfred C. Brehmer, Treasurer, which requested a ing on the calculation of royalties. This letter was referred to the Wash- ngton office of the DMEA and the following information has been received which is quoted in part:

> "This contract is written on the old form which provides that royalties are to be paid upon '... the net smelter returns or other net proceeds realized from such ore, concentrates, or metal ...' This Operator sells zinc concentrates to the Amarillo Plant of American Smelting and Refining Company and lead concentrates to the Arkansas Valley Plant of American Smelting Company, and the royalty, as provided in the contract, is to be computed upon the net smelter returns from these concentrates. The concentrating is done by the Pride of the West Mill at Silverton, Colorado, and if the smelter pays the concentrator's toll charges of $6.00 a ton, it pays the charge for the account of the Operator, and it cannot properly show as a deduction in arriving at the net smelter returns upon which the Government's royalty is to be computed. The result would be the same if the Operator did its own concentrating in its own mill."
>
> "The Government's royalty, of course, is to be computed upon the 'net smelter returns', as provided in the contract, without deductions for any milling or hauling costs incurred in producing the concentrates. The contract provides that the royalty is to be computed upon the 'net smelter returns...realized from...ore, concentrates, or metal...' The smelter is buying concentrates, not ore, and any costs of processing or of hauling incurred in producing the concentrates are operating costs, under the terms of our contract, and may not be deducted in arriving at the 'net smelter returns' for purposes of computing the Government's royalty. If the hauling charges are for hauling the concentrates from the concentrator to the smelter, and are paid by the smelter to a public or private carrier, that part of the cost may be deducted."

Based on this ruling, which is self-explanatory, we have calculated the royalty due the U.S. Government to date for production under DMEA Contract I-DMA-E29 from the date of the contract (June 27, 1951) as per the enclosed calculation sheet.

Your check for the balance due of $1,064.15 should be made payable to the Treasurer of the United States and sent to W.H. King, Executive Officer, DMEA Field Team, Region IV, 224 New Customhouse, Denver 2, Colorado.

We still require three additional copies of settlement sheets pertaining to lots T1 to T7, inclusive, and lots 1 to 4, inclusive.

Very truly yours,

W. H. King
Executive Officer, DMEA
Field Team, Region IV

Enclosure

RDB/jp
cc Royalty File E29
General Royalty File
WMTraver
COMittendorf (2)
JWTownsend
RDBerkenkotter
Chron

SETTLEMENT SHEET CALCULATIONS
U. S. Metals Corporation
Contract I-DMA-529

Lot No.	Smelter Value	Allowable Deductions	Net Value	Tons	Value Per Ton	Royalty Rate	Royalty Due	Royalty Paid
1	1513.72	818.83	694.89	101.961	6.82	1.5%	10.42	10.42
2	2091.50	979.18	1112.32	125.637	8.85	2.0%	22.25	22.25
3	1809.78	735.92	1073.86	90.581	11.86	5.0%	53.69	53.69
4	1337.27	602.65	734.62	76.293	9.63	3.0%	22.04	25.[illegible]
5	1103.14	533.43	569.71	68.515	8.32	1.5%	8.55	11.39
6	1606.86	616.07	990.79	78.564	12.61	5.0%	49.54	49.54
7	1538.29	604.54	933.75	74.956	12.46	5.0%	46.69	46.69
8	1628.18	713.60	914.58	97.698	9.36	2.5%	22.86	27.44
9	2804.63	1183.08	1621.55	158.209	10.25	3.5%	56.75	64.86
10	2351.16	1300.29	1050.87	183.426	5.73	1.5%	15.76	15.76
11	1832.86	744.61	1088.25	88.963	12.23	5.0%	54.41	54.41
12	Not DMEA Ore							
13	2563.29	1042.95	1520.34	122.253	12.44	5.0%	76.02	76.02
T1	1490.75	229.52	1261.23	13.435	93.89	5.0%	63.06	
T2	1686.99	234.60	1452.39	13,986	103.85	5.0%	72.62	
T3	2462.32	366.05	2096.27	21.897	95.73	5.0%	104.81	

SETTLEMENT SHEET CALCULATIONS
U. S. Metals Corporation
Contract I-DMA-E29
Page 2

Lot No.	Smelter Value	Allowable Deductions	Net Value	Tons	Value Per Ton	Royalty Rate	Royalty Due	Royalty Paid
T4	3677.25	517.92	3159.33	31.1605	101.39	5.0%	157.97	
T5	2708.84	384.05	2324.79	22.6095	102.82	5.0%	116.24	
T6	2552.77	371.58	2181.19	23.890	91.30	5.0%	109.06	
T7	4142.50	617.45	3525.05	40.350	87.36	5.0%	176.25	
1	1966.54	740.36	1226.18	45.840	26.75	5.0%	61.31	
2	2294.49	727.83	1566.66	46.1205	33.97	5.0%	78.33	
3	2565.91	755.81	1810.10	48.3405	37.44	5.0%	90.51	
4	1719.88	656.06	1063.82	41.6435	25.55	5.0%	53.19	
					Totals to Date		1522.33	458.18
					Royalty Due		1064.15	

FILE COPY
SURNAME:

500

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

FEB 16 1954

Mr. W. H. King, Executive Officer
DMA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-329

Dear Mr. King:

With reference to your letter of January 4, 1954, and your teletype of January 6, regarding the above project, we are enclosing the original and five copies of Amendment No. 10 to the contract.

Will you please present the amendment to the Operator for signature and distribute the copies in the usual manner. In the event that you should not be in accord with the terms of the amendment, and any proposed modifications do not fall within the range of your delegated authority, kindly return all copies to this office with your recommendations.

We call your attention to the fact that the completion time has only been extended to December 27, 1954. Quite possibly the Operator could not finish the work by such date, but we are reluctant at this time to tie up the funds involved for an additional two years on such a dubious project. A later additional time extension could always be granted if considered advisable.

There has been considerable delay in the final approval of this amendment due to the characteristics and complications of the project. After two and one half years, and the expenditures of large sums of money, only an insignificant amount of effective new work has been accomplished. Added to this, we have the refusal of the Operator to properly pay royalty on concentrates shipped (our letter to you of December 21, 1953). Furthermore, we are advised by the Chief Counsel that the old Landlord's Subordination Agreement in the name of U. S. Oil and Development Corporation is insufficient and that a proper Owner's Consent to Lien should be secured in the name of U. S. Metals Corporation.

R.C.B. 2-16-54

We therefore feel that this Amendment No. 10 should be presented to the Operator for signature only after he has submitted the Owner's Consent to Lien and after he has clearly signified his intention of making royalty payments in a proper manner. On the other hand, if he should persist in his viewpoint that he is not required to pay royalty on concentrate shipments, we feel that the project should be terminated and certified, after which proper steps could be taken for the collection of royalties due.

You will note that the amendment provides for termination of contract in the event of failure to start operations on July 1, 1954.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (245)

Enclosures 6

APPROVED:

J. H. Hedges

Member, Bureau of Mines (245)

Philip W. Guild

Member, Geological Survey (245)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kinkel
Chron.

P. S. This amendment was numbered "10" because it was taken for granted that prior proposed Amendment No. 10 has not been executed.

FILE COPY
SURNAME:

500

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

Maxwell
Chambers
Guify
Selfridge
Matthewson

Mr. W. A. King, Executive Officer
Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. IdM-29

Dear Mr. King:

With reference to your letter of January 4, 1954 and your teletype of January 6, regarding the above project, we are enclosing the original and five copies of Amendment No. 10 to the contract.

Will you please present the amendment to the Operator for signature and distribute the copies in the usual manner. In the event that you should not be in accord with the terms of the amendment, and any proposed modifications do not fall within the range of your delegated authority, kindly return all copies to this office with your recommendations.

Sincerely yours,

George C. Selfridge (JHB)
Chairman, Operating Committee

Enclosures (

WRGriswold/bjl (1/26/54)

Approved:

J. H. Hedges
Member, Bureau of Mines (JHB)

s/Philip N. Guild
Member, Geological Survey. (JHB)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kinkel
Chron.

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 17 1954

224 New Customhouse
Denver 2, Colorado

February 15, 1954.

Memorandum

To: Chairman of the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMEA Docket No. 606 (Lead-Zinc), Contract No. Idm-E29, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado.

Reference is made to your memorandum dated February 9, 1954 concerning an overpayment for Supervision on the Operator's monthly report for May 1953.

"Supervision" was charged at $500.00 for May 1953 whereas this amount should have been prorated one-third to the Hercules, Henrietta and Surprise, making the correct "Supervision" charge to Contract Idm-E29 $166.67 for this month. The difference or $333.33 will be deducted before payment is made for work performed in October and November 1953. Reports for these months are being held in this office pending resumption of work.

W H King
W. H. King

FILE COPY
SURNAME:

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS ADMINISTRATION
WASHINGTON 25, D. C.

N.S. in R.R.

February 10, 1954

Memorandum

To: Chief Counsel

From: Chief, Base Metals Division

Subject: Docket No. DMA-606, U. S. Metals Corporation, Contract No. Idm-F29

It has been decided that the attached Amendment No. 10 be revised, to provide:

1. Failure to start work on or before July 1, 1954, will thereby terminate the contract, with the Government reserving the right to make certification thereafter.

2. The completion date be made "42 months" instead of "54 months".

Otherwise the amendment to specify as already written.

W. R. Griswold

WRGriswold/bjl

Copy to: Docket
Base Metals
Chron.

FILE COPY
SURNAME:

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

FEB - 9 1954

Talbert
Chambers
Selfridge
Secretary

Mr. W. H. King
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket DMA-606, (Lead-Zinc)
Contract No. DMA-229
U. S. Metals Corporation
Hesperitta Mine
San Juan County, Colorado

Dear Mr. King:

Reference is made to the May, 1953, Form MF-304 for the subject Exploration Project Contract.

Included in the costs approved for that month is an item of $500.00 for Supervision, which is the maximum charge allowable under the terms of Amendment No. 6. However, the Operator's narrative attached to the MF-304 states that "the Superintendent's salary will be divided equally between the Hercules, Hesperitta and Surprise operations." Also, for the three months prior to May, 1953, only $166.66 per month was claimed for Supervision by the Operator.

It is believed that the project has been overcharged for this item. Will you please give us an explanation for the increased charge for Supervision?

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (J.H.)

APPROVED:

J. H. Hedges
Member, Bureau of Mines (J.H.)

A. R. Kinkel, Jr.
Member, Geological Survey (J.H.)

Copy to: Docket
Admr. Reading File
Operating Committee
Mr. Bishop
Mr. Kinkel
Mr. Griswold
Mr. Chambers

EDTalbert/wb
February 5, 1954

R.C.S.
2-9-54

FILE COPY
SURNAME:

Selfridge

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

February 5, 1954

N.S. in R.P.

Memorandum

To: The Administrator

From: George C. Selfridge
Special Assistant

Subject: Docket No. DMA-606
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

The subject contract, dated June 27, 1951, provided for the rehabilitation of approximately 1600 feet of the Henrietta No. 7 Adit and a 580-foot raise from there to the No. 1 Adit and for 100 feet of drifting on the Surprise vein in the No. 7 Adit at a total estimated cost of $47,650. The cost included $13,225 for the purchase of equipment, $1,000 for power poles and wire, and $3,000 for the repair of an H. D. Allis-Chalmers caterpillar bulldozer. The work was to be completed in six months. Nine amendments to the contract--No. 6, dated August 20, 1952, revising all the exhibits of the original contract--provided road work and an additional 600 feet of drifting and 400 feet of raising or sinking, thereby increasing the total estimated cost of the project to $113,638.34. Amendment No. 9, dated April 13, 1953, the third amendment of this type, allowed 30 months for the completion of the work.

Work under the contract started June 18, 1951. By July 1.75 miles of mine road had been rehabilitated, a new road constructed to the top and bottom of the Henrietta dump, and 20 feet of the No. 7 Adit cleaned and timbered. At the end of December 557 feet of the No. 7 Adit had been rehabilitated making accessible the short drift on the Surprise vein. Also the No. 3 Portal had been rehabilitated for ventilation, and approximately $4,000 had been spent for repair parts for the bulldozer (this by the end of September and later increased to $5,565.48 for repairs) which reportedly was to be traded in as part payment on a larger dozer being used by the Corporation at the Henrietta mine. During this period the Operator reported from 8 to 9 feet of good mineralization in the 60-foot drift on the Surprise vein. The examining engineer reported the mineralization as occurring in pods at irregular intervals

within a poorly defined shear zone. Because the property was troubled with snowslides, the project was recessed from January 1 until April. The Operator reported an expenditure of $40,847.68 as of the end of December.

Underground work was resumed at the middle of April after the roads had been re-opened between April 5 and 14. Eight hundred feet of the adit had been rehabilitated by the end of May and 1190 feet by the end of June. During this period the 60-foot Surprise drift was slabbed, 2 feet on the walls and 3 feet in the back, for a mechanical shovel. In addition, the Operator drove a raise on the Surprise vein and shipped ore starting in May.

A synopsis of monthly advance starting in July 1952 is shown below.

July 1952 - Rehabilitation was advanced from 1190 to 1220 feet at the intersection of the No. 7 Adit and the drift on the Henrietta vein. Before the area was timbered it caved, and it was decided to drive around the cave. Five feet of advance was made. By this time the company reported expenditures of $57,465.78 of which $54,519.72 was approved. Based on 1280 feet of rehabilitation, including the Surprise vein drift, this amounts to $42.59 per foot less salvage.

August 1952 - The hanging wall of the Henrietta vein was cut again after driving 69 feet of drift. The engineer's report discusses audit difficulties and includes the same statement which appeared in his June report, viz: "The auditors should be careful in checking the Surprise working account as very little deletion of charges have been made for the amount of stoping done."

September 1952 - The Operator spiled across the Henrietta vein and started to drive a drift in the footwall. Several hundred cars of fine material were removed during the spiling. At the end of the month the Operator reported 1239 feet of rehabilitation and 96 feet of drift. Reported cost of this work with 60 feet of rehabilitation and 20 feet of drifting on the Surprise vein amounted to $62,719.96.

October 1952 - Nine feet of advance in loose ground was made during this month at a cost of $152.53 per foot charged to rehabilitation.

November 1952 - The drift on the footwall of the Henrietta vein was advanced 93 feet, mostly in solid ground.

December 1952 - Advance during this month consisted of 4 feet of drift on the Surprise vein and 81.5 feet of drift and crosscut at the Henrietta vein. The crosscut came in under a badly caving stope; therefore

further drifting was undertaken. Costs during the month amounted to $26.24 a foot. The Operator's voucher as of January 1, 1953, listed 124.8 feet of rehabilitation costing $42,566.01, or $34.10 a foot, exclusive of equipment and improvement expenditures.

January 1953 - Advance amounted to 68.5 feet of drift and crosscut.

February 1953 - The Operator did 15 feet of rehabilitation and 12 feet of raising, the latter for exploration purposes at the junction of the footwall drift-crosscut and the old Henrietta drift. As the ground was too heavy to continue rehabilitation, the footwall drift was extended again. Mining continued on the Surprise vein.

March 1953 - The raise was extended 4 feet to 16 feet intersecting ore. Two samples averaged 0.08 oz Au, 10.2 oz Ag, 3.32 per cent Cu, 0.3 per cent Pb, and 0.2 per cent Zn. One hundred and eight feet of drift was driven on the footwall of the Henrietta vein, and the old drift was broken into on April 1. Reported costs totaled $77,091.61.

April 1953 - Twenty feet of drift was driven on the Surprise vein and 5 feet at the Henrietta. One hundred and twenty-two feet of the old Henrietta drift was cleaned, of which 29 feet was timbered. Backs of the drift ranged up to 18 feet in height. Old chutes found in the muck pile indicated the area had been prepared for steping but was later abandoned.

May 1953 - The Surprise drift was advanced 48.5 feet. Further rehabilitation of the Henrietta drift included 38 feet of cleaning and taking up of floor and 87 feet of timbering. Thirteen feet of timber was placed in the footwall drift (the Operator reports this drift as the lateral). During this month the Operator at its own expense, although it had requested permission to raise, drove three short raises on the Henrietta vein, two of which were immediately abandoned because the vein was weak. Five samples taken by the examining engineers at 10-foot intervals along the Surprise vein averaged 2.4 oz silver, 0.08 per cent copper, 4.2 per cent lead, and 4.9 per cent zinc over a width of 5.1 feet.

As of June 18, 1953, 160 feet of the Old Henrietta drift had been cleaned and 120 feet timbered. Conditions suggested that the face of the drift might be near.

In a teletype dated November 6, 1953, the Field requested authorization to prepare an amendment for a recess of operations between

June 4 and not later than October 26, 1953. The teletype also stated that work was resumed October 26, 1953. Amendment No. 10 was prepared pursuant to the request. As work had been started again, the amendment did not provide for the requested recess, but did extend the completion date of the contract to 36 months or June 27, 1954, and added the new royalty annex.

In a letter dated November 14, 1953, the Operator requested a ruling with regard to the calculation of royalties. The letter stated, in part: "The Pride of the West Mill is not engaged in buying ore but processes our ore into concentrates which we ship to the Smelter." In a memorandum to the Administrator dated November 24, 1953, Mr. King informed Washington that U.S. Metals Corporation had in excess of 2,000 tons of ore milled in the Pride of the West Mill at Silverton, Colorado. Milling charges were $6 a ton. The resulting lead and zinc concentrates were sold to the smelters, and the Operator sent the Government a check in the amount of $30.73. This sum was based upon tons of crude ore rather than tons of concentrate as already mentioned in Mr. Grimsold's memorandum of January 29, 1954. The Field Team calculated that the royalty should have been $1,084.05. However, the Operator objects to paying royalty on a concentrate basis. Ultimately Amendment No. 10, with an undated letter from the Operator, was returned unexecuted to Washington by a memorandum from Mr. King dated December 7, 1953. On December 21, 1953, Amendment No. 10 was returned to Region IV with an explanation of DMEA's stand on the matter as prepared by the Legal Division. At the present time the status of the amendment is not known. Royalty payments to date amount to $458.18.

In a memorandum dated January 4, 1954, addressed to the Administrator, Mr. King forwarded another request from the Operator for recess of operations and advancement of the completion date. The Operator requested a recess extending from December 28, 1953, to not later than July 1, 1954, and an advance of the completion date of the contract to December 30, 1955, making the life of the contract four and one-half years. The Legal Division was asked to prepare a second Amendment No. 10 incorporating the Operator's requests. The administrative approval of this amendment is now pending.

In a memorandum prepared by E. T. McKnight to the Executive Officer of the Field Team, Region IV, dated March 28, 1951, the following statements appear: "Mine was operated from 1903-1907, producing about $100,000, the values being chiefly in gold, silver, and copper, but no details as to the percentage of base metals in the ore are available. Reports of this time state that 300,000-400,000 tons of ore are blocked out, but the grade is not given other than independent estimates that the Henrietta vein contains 4-5% copper." Additional work was done in 1920

and 1940-43; however, shipments were small. The memorandum also states: "According to W. S. Burbank of the Geological Survey, the ores of this general area are quartz veins commonly high in pyrite, with scattered bodies of chimney-like shoots of higher grade base metal sulphides with silver and gold." The application was approved for exploration provided that the applicant was willing to participate in such a program.

At the time the Operator requested additional funds for the project, ultimately resulting in Amendment No. 6, Mr. E. T. McKnight in a memorandum of July 29, 1952, to Mr. H. F. Keller, stated in part: "Inasmuch as little of the original objective has been reached, the geologic justification remains as originally given in my memorandum of June 15, 1951 (with A. Apell of the Bureau of Mines). The over-all project is not as attractive as it then was because the total costs have proven to be higher for the same geologic probability. * * * Description of the Surprise vein ore given in memo of June 18, 1952, by Scott W. Hazen, Jr., of Bureau of Mines, is typical of mineral occurrence in this area. The pods of (lead) ore exposed in the short stretch of drift that has been rehabilitated are probably too scattered to be economic, but further exploration on the vein could possibly reveal one of the chimneys which are the targets for exploration in this area. Occurrence of the pods of ore show that the ground has been traversed by ore bearing solutions."

In the memorandum dated June 15, 1951, the reference to W. S. Burbank is concluded as follows: "The chances of locating rich chimneys of ore by exploration are good enough to justify the proposed exploration that is here recommended; or the alternative is large tonnages of lower grade zinc-lead vein deposits."

During the review of the docket, the writer noted that the Operator had changed its name, by amendment to the articles of incorporation, from "U. S. Oil and Development Corporation" to "U. S. Metals Corporation" with the approval of the Office of the Secretary of the State of Colorado in a document dated July 17, 1952. Amendment No. 6, dated August 20, 1952, increased the amount of the contract from $47,650 to $113,638.34. At present the contract is covered only by the original Landlord's Subordination Agreement exhibiting the first name of the corporation. This matter was briefly discussed with Mr. Hofflund, and apparently it is his belief that DMEA should attempt to secure an Owner's Consent to Lien in conjunction with the execution of the present pending amendment.

Since the date of the contract the Operator has recessed operations as follows: Four months in 1952; four and one-half months during the summer of 1953, and since January of this year. The

Corporation is now in default as of December 27, 1953, the termination date of the contract as provided by amendment.

Because (1) the project was set up, in part, on hearsay, (2) no definite target was contemplated, (3) the project was largely of a prospecting nature in the search for unknown ore chimneys, (4) the major past production of $100,000 doesn't suggest the presence of either many or large ore chimneys, (5) work to date on the Henrietta vein suggests marginal mineralization, and (6) the Operator is inexperienced, the writer recommends that the pending amendment contain a clause allowing the Government, at its option, to terminate the contract if work is not resumed in a satisfactory manner this coming summer. The termination date should be set as not later than December 27, 1954. If this year's performance is satisfactory and geological conditions warrant, the termination date can again be advanced later. The Owner's Consent to Lien and the royalty matters should be straightened out before final expcution of the amendment. Sufficient ore has been mined from the Surprise vein from both old and new work to certify the project.

George C. Selfridge
George C. Selfridge By ESF

GCSelfridge/esf
2/5/54

cc to: Docket
Admr. Reading File
Messrs. Hofflund
Johnson
Selfridge
Chron.

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

N. S

January 29, 1954

Memorandum

To: Administrator

From: Chief, Base Metals Division

Subject: Amendment No. 10 to Contract Idm-E29, U. S. Metals Corp., Docket No. DMA-606

Referring to your inquiry regarding this amendment, the project is apparently one of those pathetic deals which inexperienced operators so often get into -- of trying to rehabilitate and catch up an old caved drift in bad ground -- and wind up wishing they had driven a new tunnel instead. The usual routine, backs caved up high, so that pony sets have to be mounted on top of drift sets, etc. Also much lateralling around old caves too vicious to catch up.

The work program, as finally amended, consisted of:

1. Construct access road.
2. Extend transmission line.
3. Construct snow shed, compressor house.
4. Rehabilitate 1600 feet of old tunnel.
5. Rehabilitate a 580 foot raise to the extent necessary for ventilation.
6. Drift 700 feet.
7. Raise or sink to an aggregate maximum of 400 feet.

Apparently no work has been done since May of 1953; work completed then was:

1423' of tunnel rehabilitation
452' of lateral drifting
16' of raising
92' of drifting

Items 5, 6, and 7 remain to be done.

Ores found to date consist of erratic, chimney-like deposits. The docket shows 1,267 tons having been shipped as custom ore to the Shenandoah-Dives Mill, on which royalty was paid. Ore averaged about 3.0 oz. silver, 6 per cent lead and 4 per cent zinc. The Operator has also milled some 2,000 tons of ore at the Pride of the West Mill, on which something over a thousand dollars in royalty is due.

As to the completion date allotted, the Operator does not plan on winter work, which is difficult and expensive in the high-altitude small operations in the San Juan Area. Actual practical available operating time under the amendment would probably be:

July-August-Sept.-Oct.-Nov. 1954

July-August-Sept.-Oct.-Nov. 1955

or ten months in all. Probably such a time interval, and money remaining, would roughly balance out.

W. R. Griswold

W. R. Griswold

Apparently the project was active from July, 1951 to May 1953.

FILE COPY
SURNAME:

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

N.S. in R.R.

January 29, 1954

Memorandum

To: Administrator

From: Chief, Base Metals Division

Subject: Amendment No. 10 to Contract Idm-729, N. S. Metals Corp., Docket No. DMA-606

Referring to your inquiry regarding this amendment, the project is apparently one of those pathetic deals which inexperienced operators so often get into — of trying to rehabilitate and catch up an old caved drift in bad ground — and wind up wishing they had driven a new tunnel instead. The usual routine, backs caved up high, so that pony sets have to be mounted on top of drift sets, etc. Also much lateralling around old caves too vicious to catch up.

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2. Extend transmission line.
3. Construct snow shed, compressor house.
4. Rehabilitate 1600 feet of old tunnel.
5. Rehabilitate a 580 foot raise to the extent necessary for ventilation.
6. Drift 700 feet.
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452' of lateral drifting
16' of raising
92' of drifting

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July-August-Sept.-Oct.-Nov. 1954

July-August-Sept.-Oct.-Nov. 1955

or ten months in all. Probably such a time interval, and money remaining, would roughly balance out.

W. R. Griswold

WRGriswold/bjl (1/29/54?)

Copy to: Docket
Base Metals
Chron.

500

FILE COPY
SURNAME:

Griswold

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

January 13, 1954

Memorandum

To: Chief Counsel

From: W. P. Griswold

Subject: Docket No. DMPA 606, U. S. Metals Corp., Henrietta Mine, San Juan County, Colorado, Contract Idm-829.

The Applicant has requested an amendment permitting recess from December 28, 1953, to July 1, 1954, and further requests that the completion date be extended to December 30, 1955.

By teletype the field office states: "If you prepare amendment authorizing recess we recommend that recitation be incorporated to the effect that the Government will not participate in any costs involved in the repair of the rehabilitated tunnel which are necessary as a result of the recess of operations. There is a possibility that the tunnel may again cave if the spring runoff occurs during the recess period."

Will you therefore prepare an amendment along the lines outlined above, also incorporating the usual royalty Annex I.

We presume the amendment will be number 10. Previously a No. 10 had been sent to the Operator but he declined to sign it due to the royalty annex. We presume that, by now, he has been advised by the Field that his contention may not be allowed.

W. P. Griswold

Attachment

Copy to: Docket
Base Metals
Chron.

FILE COPY
SURNAME: 13

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

DEPARTMENT OF THE INTERIOR
AGENCY: DMEA

Originator: WRCriswold/bjl
Rm: 4058 Ext: 3669

Date: January 12, 1954

To: W. H. Wine, Executive Officer, DMEA Field Team, Region II, Denver, Colorado

Heurtt January 6, 1954, Docket DMA-606, U. S. Metals Corporation, Contract Idm-729. We will prepare amendment as suggested and forward to you. However, amendment will contain same royalty annex as was attached to Amendment No. 10, previously prepared.

George C. Selfridge
Chairman, Operating Committee (JB)

Copy to: Docket
Admr. R. File
Op. Committee
Accounts
Base Metals
Mr. Bishop
Mr. Kinkel
Chron.

SENT
JAN 12 1954
Clerical Service Section

R.C.S. 1-12-54

Mr. C.O. Mittendorf
1-6-54
4:25 P.M.
MSA

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 7 1954

BUR MINESDN 235 1-6-54 2-23 PM

C O MITTENDORF

REFERENCE DOCKET DMA-606, CONTRACT I-DMA-E29, U. SMXXX U. S. METALS CORPORATION, HENRIETTA MINE, MATERIAL FORWARDED BY OUR MEMORANDUM OF JANUARY 4,1954. IF YOU PREPARE AMENDMENT AUTHORIZING RECESS WE RECOMMEND THAT RECTATXXX RECITATION BE INCORPORATED TO THE EFFECT THAT THE GOVERNMENT WILL NOT PARTICIPATE IN ANY COSTS INVOLVED IN THE REPAIR OF THE REHABILITATED TU NNEL WHICH ARE NECESSARY AS A RESLTXXX RESULT OF THE RECESS OF OPERATIONS. THERE IS A POSSIBILITY THAT THE TUNNEL MAY GAIN CAVXXXX MAY AGAIN CAVE IF THE SPRING RUNOFF OCCURS DURING THE RECESS PERIOD.

W H KING

ver, Colo.

JAN 7 8 42 AM '54
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

mDr

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

224 New Customhouse
Denver 2, Colorado

January 4, 1954

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 606 (Lead-Zinc), Contract I-DMA-E29, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado

Enclosed are the original and three copies of a letter from Carl H. Peterson, Secretary, U. S. Metals Corporation, dated December 23, 1953, wherein he requests authorization for a recess of operations from December 28, 1953, with work to be resumed on or before July 1, 1954, and further requests that the completion date of the contract be extended to December 30, 1955.

Inasmuch as the preparation of the amendment for extension of the life of the contract is not within the authority delegated to this office we are forwarding the matter for your consideration and appropriate action.

We will appreciate advice by teletype as to your decision in the matter so that we may so inform the operator.

W. H. King

W. H. King

Enclosures

MAIN 7135
MAIN 7136

U. S. METALS CORPORATION
PRODUCERS OF COPPER, LEAD & ZINC
MERCANTILE BUILDING
1031 15TH STREET
DENVER 2, COLORADO

Mining Division
Date Rec'd.
DEC 23 1953
BUREAU OF MINES
Denver, Colorado

December 23, 1953

W.H. King,
Executive Officer of DMEA
Field Team Region IV
224 New Custom House
Denver, Colorado

Re: Docket #DMEA 606
Contract #1-DMA-E29
LEAD & ZINC
HENRIETTA MINE
SAN JUAN COUNTY, COLORADO

Dear Mr. King:

Due to the low Lead and Zinc prices, we have only one operation going in prospect basin where last winter we had five, and it is costly to maintain the standby rate for electric power as well as keeping the roads open. We would like to ask authorization for recess of work in the Henrietta Mine as of December 28, 1953, to be resumed on or before July 1, 1954.

We would also ask that the above captioned loan for the Henrietta Mine be extended to December 30, 1955.

Respectfully yours,

U. S. METALS CORPORATION

Carl H. Peterson

Carl H. Peterson, Secretary

CHP:dh

12-21

FILE COPY
SURNAME:

140

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

Griswold
Chambers
AEKane

Rewritten by

DEC 21 1953

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

Dear Mr. King:

We refer to your memorandum to the Administrator of November 24 and your memorandum to the Chairman, Operating Committee, of December 7, with enclosures.

The Operator's letter to you of November 14, and its undated letter to you attached to your memorandum of December 7, raise an entirely new and a plainly erroneous contention with regard to the computation of royalties.

This contract is written on the old form which provides that royalties are to be paid upon ". . . the net smelter returns or other net proceeds realized from such ore, concentrates, or metal . . ." This Operator sells zinc concentrates to the Amarillo Plant of American Smelting and Refining Company and lead concentrates to the Arkansas Valley Plant of American Smelting and Refining Company, and the royalty, as provided in the contract, is to be computed upon the net smelter returns from these concentrates. The concentrating is done by the Pride of the West Mill at Silverton, Colorado, and if the smelter pays the concentrator's toll charges of $6.00 a ton, it pays the charge for the account of the Operator, and it cannot properly show as a deduction in arriving at the net smelter returns upon which the Government's royalty is to be computed. The result would be the same if the Operator did its own concentrating in its own mill.

The Operator seems to contend that the royalty is to be computed upon the value of raw, unprocessed ore, in spite of the fact that he sells to the smelter concentrates

R.C.G.
12-21-53

and not ore. The contract form does not so provide. On the contrary, the contract form provides that the royalty will be computed upon the net smelter returns from ore, concentrates, or metal, depending upon the form in which the Operator disposes of its production.

If the Operator does not wish to proceed with the contract on the basis laid down in the proposed Amendment No. 10, and if a termination is acceptable to the Government, we can enter into a termination by agreement with a certification of the project incorporated in the agreement. If the Operator is in default in performance under the existing contract, and is unwilling to accept the Government's proposal for an amendment, the Government may terminate the contract for the default of the Operator and demand repayment of monies advanced up to this point. If the Operator is in default, further contribution to costs should be withheld until the default is cured either by an amendment of the existing contract or otherwise.

We are enclosing the copies of Amendment No. 10.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (2+3)

Enclosures

Approved:

J. H. Hedges (2+3)

Member, Bureau of Mines

T. P. Thayer (2+3)

Member, Geological Survey

WRGriswold/JLHofflund/emd 12/18/53

Copy to: Docket
Adm. R. File
Op. Comm.
J. H. Hedges
T. P. Thayer
W. R. Griswold
J. L. Hofflund
chron.
pending

140

FILE COPY
SURNAME:

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

Griswold
Chambers
AEKane
Hollmud
AEKane
Rubin
Griswold
Chambers

Rewritten by

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

Dear Mr. King:

We refer to your memorandum to the Administrator of November 24 and your memorandum to the Chairman, Operating Committee, of December 7, with enclosures.

The Operator's letter to you of November 14, and its undated letter to you attached to your memorandum of December 7, raise an entirely new and a plainly erroneous contention with regard to the computation of royalties.

This contract is written on the old form which provides that royalties are to be paid upon ". . . the net smelter returns or other net proceeds realized from such ore, concentrates, or metal . . ." This Operator sells zinc concentrates to the Amarillo Plant of American Smelting and Refining Company and lead concentrates to the Arkansas Valley Plant of American Smelting and Refining Company, and the royalty, as provided in the contract, is to be computed upon the net smelter returns from these concentrates. The concentrating is done by the Pride of the West Mill at Silverton, Colorado, and if the smelter pays the concentrator's toll charges of $6.00 a ton, it pays the charge for the account of the Operator, and it cannot properly show as a deduction in arriving at the net smelter returns upon which the Government's royalty is to be computed. The result would be the same if the Operator did its own concentrating in its own mill.

To be sure, the old contract form on which this contract is written does provide that the royalty is to be paid:

"Of net smelter returns or other net proceeds not in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent.

"Of net smelter returns or other net proceeds in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent, plus one-half (½) percent additional for each full fifty cents ($0.50) in excess of eight dollars ($8.00) per ton of ore, but not in excess of a maximum of five (5) percent."

It is impossible to construe these provisions as providing for computing the royalty on the value of ore when it is concentrates that are sold. These provisions merely fix the rate of royalty at one and one-half percent of the net returns from concentrates if those net returns are not in excess of $8.00 per ton of ore from which the concentrates came, and up to five percent of the net returns from concentrates if the net returns from concentrates are in excess of $8.00 per ton of ore from which the concentrates were produced. Inasmuch as the net returns from concentrates from this ore are much in excess of $8.00 per ton of ore, the Operator is going to pay the maximum royalty of five percent under the provisions of his existing contract and also under the provisions of the amended form which is annexed to the proposed Amendment No. 10.

It is only in the case of ore which does not produce concentrates from which the net smelter returns are in excess of $8.00 per ton of ore, that the difference in language between the two forms would make any difference in the amount of royalty which the Operator must pay.

If the Operator does not wish to proceed with the contract on the basis laid down in the proposed Amendment No. 10, and if a termination is acceptable to the Government, we can enter into a termination by agreement with a certification of the project incorporated in the agreement. If the Operator is in default in performance under the existing contract, and is unwilling to accept the Government's proposal for an amendment, the Government may terminate the contract for the default of the Operator and demand repayment of monies advanced up to this point. If the Operator is in default, further contribution to costs should be withheld until the default is cured either by an amendment of the existing contract or otherwise.

We are enclosing the copies of Amendment No. 10.

Sincerely yours,

Chairman, Operating Committee

Enclosures

Approved:

Member, Bureau of Mines

Member, Geological Survey

WRGriswold/JLHofflund/emd 12/16/53

Copy to: Docket
Adm. R. File
Operating Comm.
J. H. Hedges
L. P. Thayer
W. R. Griswold
J. L. Hofflund (2)
chron.
pending

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

December 18, 1953

Memorandum

To: The Administrator

From: Chief Counsel

Subject: U. S. Metals Corporation, Docket No. DMA-606 (Lead-Zinc)

This letter for the signature of the Operating Committee is a redraft of a previous letter on the same subject, both of which are attached hereto. The original letter has been redrafted because it brings into the open an issue with respect to the computation of royalties under the old form of contract which may not be necessary to determine at this time.

There is no question, in my opinion, but what the royalty under all of our contract forms, both old and new, is to be computed upon the net returns from the sale of production in whatever form disposed of, whether ore, concentrates, or metal. However, under the old form, the point at which the rate of royalty increases from 1½ percent of the net returns is different from the point at which the increase occurs under the new contract forms. Under the old contract forms, the increase above 1½ percent occurs if and when the net returns are ". . . in excess of eight dollars ($8.00) per ton of ore." Under the new contract forms the increase in the rate occurs when the net returns are ". . . in excess of eight dollars ($8.00) per ton /of ore, concentrates, or metal/."

I am advised by Messrs. Selfridge and Johnson that it is not practicable to determine the point at which the royalty rate shall increase by a reference to the ore from which concentrates are recovered; and that as a matter of fact the rate or royalty is not being so determined under the old contract forms. I can only say that if an operator under the old contract form insists on computing the rate of royalty by a reference to the number of tons of ore from which concentrates have come, I think he will be entitled to do so.

In some cases, it might enable the operator to pay the royalty at a lower rate. In the instant case, the operator does not appear to be making any contention as to the mere rate of royalty but rather as to the net returns upon which the royalty is to be computed.

J. L. Hofflund
Chief Counsel

Attachment

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

December 18, 1953

N.S. in R.R.

Memorandum

To: The Administrator

From: Chief Counsel

Subject: U. S. Metals Corporation, Docket No. DMA-606 (Lead-Zinc)

This letter for the signature of the Operating Committee is a redraft of a previous letter on the same subject, both of which are attached hereto. The original letter has been redrafted because it brings into the open an issue with respect to the computation of royalties under the old form of contract which may not be necessary to determine at this time.

There is no question, in my opinion, but what the royalty under all of our contract forms, both old and new, is to be computed upon the net returns from the sale of production in whatever form disposed of, whether ore, concentrates, or metal. However, under the old form, the point at which the rate of royalty increases from 1½ percent of the net returns is different from the point at which the increase occurs under the new contract forms. Under the old contract forms, the increase above 1½ percent occurs if and when the net returns are . . . in excess of eight dollars ($8.00) per ton of ore. Under the new contract forms the increase in the rate occurs when the net returns are ". . . in excess of eight dollars ($8.00) per ton /of ore, concentrates, or metal/.

I am advised by Messrs. Selfridge and Johnson that it is not practicable to determine the point at which the royalty rate shall increase by a reference to the ore from which concentrates are recovered; and that as a matter of fact the rate or royalty is not being so determined under the old contract forms. I can only say that if an operator under the old contract form insists on computing the rate of royalty by a reference to the number of tons of ore from which concentrates have come, I think he will be entitled to do so.

In some cases, it might enable the operator to pay the royalty at a lower rate. In the instant case, the operator does not appear to be making any contention as to the mere rate of royalty but rather as to the net returns upon which the royalty is to be computed.

J. L. Hofflund
Chief Counsel

Attachment

FILE COPY
SURNAME: 913

140

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

N.S. in R.R.

December 18, 1953

Memorandum

To: The Administrator

From: Chief Counsel

Subject: U. S. Metals Corporation, Docket No. DMA-606 (Lead-Zinc)

This letter for the signature of the Operating Committee is a redraft of a previous letter on the same subject, both of which are attached hereto. The original letter has been redrafted because it brings into the open an issue with respect to the computation of royalties under the old form of contract which may not be necessary to determine at this time.

There is no question, in my opinion, but what the royalty under all of our contract forms, both old and new, is to be computed upon the net returns from the sale of production in whatever form disposed of, whether ore, concentrates, or metal. However, under the old form, the point at which the rate of royalty increases from 1½ percent of the net returns is different from the point at which the increase occurs under the new contract forms. Under the old contract forms, the increase above 1½ percent occurs if and when the net returns are ". . . in excess of eight dollars ($8.00) per ton of ore." Under the new contract forms the increase in the rate occurs when the net returns are ". . . in excess of eight dollars ($8.00) per ton /of ore, concentrates, or metal/."

I am advised by Messrs. Selfridge and Johnson that it is not practicable to determine the point at which the royalty rate shall increase by a reference to the ore from which concentrates are recovered; and that as a matter of fact the rate or royalty is not being so determined under the old contract forms. I can only say that if an operator under the old contract form insists on computing the rate of royalty by a reference to the number of tons of ore from which concentrates have come, I think he will be entitled to do so.

In some cases, it might enable the operator to pay the royalty at a lower rate. In the instant case, the operator does not appear to be making any contention as to the mere rate of royalty but rather as to the net returns upon which the royalty is to be computed.

J. L. Hofflund

J. L. Hofflund
Chief Counsel

Attachment

JLHofflund/emd

Copy to: Docket
J. L. Hofflund
~~Fitzx~~ chron.

Mr. George C. Selfridge
12-7-53
4:10 PM.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 8 - 1953

BUR MINES DN 235 12-7-53 2-06 PM

CHAIRMAN, OPERATING COMMITTEE, DMEA

REFERENCE DOCKET NO.606, CONTRACT I-DMA-E29, U.S. METALS CORPORATION. OPERATOR HAS RETURNED AMENDMENT NO.10 UNEXECUTED BECAUSE OF EXCEPTION S TO ANNEX I. AMENDMENT AND OPERATOR EXCEPTIONS BEING FORWARDED TO YOU VIA AIR MAIL.

W H KING

Denver, Colo.

DEC 8 8 25 AM '53
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D.C.

Mr. G.C. Selfridge
12-4-53
7:45 A.M.

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

DN 235 BUREAU MINES 12-3-53 4-18 PM

G C SELFRIDGE

REURTT DECEMBER 2, REGARDING CONTRACT IDM-E29, DMEA 606, U. S. METALS CORPORATION, AMENDMENT NO. 10 FORWARDED TO OPERATOR FOR SIGNATURE NOVEMBER 24 AND HAS NOT BEEN RETURNED TO THIS OFFICE.

W H KING

Denver, Colo.

DEC 4 8 45 AM '53

BUREAU OF MINES
MAIL ROOM
WASHINGTON, D.C.

mDa

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

WASHINGTON 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 8 - 1953

224 New Customhouse
Denver 2, Colorado

December 7, 1953

AIR MAIL

Memorandum

To: Chairman, Operating Committee
Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 606 (Lead-Zinc) Contract Idm-E29, U. S. Metals Corporation, Henrietta Mine, San Juan County, Colorado

Enclosed are the original and five copies of Amendment No. 10 to the subject contract which were forwarded by your memorandum of November 19, 1953 for execution by the operator.

The amendment has been returned by the operator unexecuted because they take exception to the provisions of Annex No. 1 which amends Article 14 of the contract form.

Also enclosed are the original and three copies of a letter from the operator which is self-explanatory regarding the exceptions taken to Annex No. 1.

W H King
W. H. King

Enclosures

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
1953

W. H. King
Executive Officer DMA
Field Team, Region IV
324 New Customhouse
Denver, Colorado

RE: Docket DMA 606-1DM-229

Dear Mr. King:

We are in receipt of amendment No. 10 extending the completion of the contract to 36 months and some amendments to article 14 of the contract form, covered in Annex 1.

We are returning this amendment unsigned for the reason that we are taking exception to paragraph 6 with reference to how we are to pay royalty on net smelter returns when we sell our ore in the form of concentrates after it has been milled in a custom mill.

Our contract, as accepted and signed June 27, 1951 by the administrator of Defense Minerals Administration, states that payments are to be made of net smelter returns or other net proceeds per ton of ore according to the value as per schedule. The Company does not feel that it should pay royalty on net concentrator returns for the reason that the value of a ton of concentrates is much greater than that of a ton of ore, consequently we would be paying as much as 50% or more royalty per ton of ore on the net returns realized.

You can readily see that it would be impossible for the Company to continue operating the Mine if royalties were to be paid in such a manner as set forth in this amendment. Therefore we request that this part of Annex 1 be deleted from amendment 10 and returned for our signature.

Very truly yours,

U. S. Metals Corporation

Alfred O. Brehmer

Alfred O. Brehmer, Pres.

Mining Division
Date Rec'd.
DEC 7 - 1953
BUREAU OF MINES
Denver Colorado

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 3 - 1953

W. H. King
Executive Officer DMEA
Field Team, Region IV
224 New Customhouse
Denver, Colorado

RE: Docket DMEA 606-IDMA-E29

Dear Mr. King:

We are in receipt of amendment No. 10 extending the completion of the contract to 36 months and some amendments to article 14 of the contract form, covered in Annex 1.

We are returning this amendment unsigned for the reason that we are taking exception to paragraph C with reference to how we are to pay royalty on net smelter returns when we sell our ore in the form of concentrates after it has been milled in a custom mill.

Our contract, as accepted and signed June 27, 1951 by the administarator of Defense Minerals Administration, states that payments are to be made of net smelter returns or other net proceeds per ton of ore according to the value as per schedule. The Company does not feel that it should pay royalty on net concentrater returns for the reason that the value of a ton of concentrates is much greator than that of a ton of ore, consequently we would be paying as much as 50% or more royalty per ton of ore on the net returns realized.

You can readily see that it would be impossible for the Company to continue operating the Mine if royalties were to be paid in such a manner as set forth in this amendment. Therefore we request that this part of Annex 1 be deleted from amendment 10 and returned for our signature.

Very truly yours,

U. S. Metals Corporation

Alfred O. Brehmer

Alfred O. Brehmer, Treas.

DEPARTMENT OF THE INTERIOR
Bureau Mineral Administration
RECEIVED
OCT 6 - 1953

D. H. King
Executive Officer BLM
Field Room, Region IV
BLM Div Conservation
Denver, Colorado

RE: Docket BLM 000-[illegible]-[illegible]

Dear Mr. King:

We are in receipt of amendment No. 10 extending the completion of the contract to 20 months and are amendments to article 16 of the contract item, covered in Annex 1.

We are returning this amendment unsigned for the reason that we are taking exception to paragraph 9 with reference to how we are to pay royalty on not smelter returns when we sell ore and in the form of concentrates after it has been milled in a custom mill.

Our contract, as accepted and signed June 27, 1951 by the administrator of Defense Minerals Administration, states that payments are to be made of net smelter returns or other net proceeds per ton of ore according to its value as per schedule. The Company does not feel that it should pay royalty on net concentrator returns for the reason that the value of a ton of concentrates is much greater than that of a ton of ore, consequently we would be paying as much as 50% or more royalty per ton of ore on the net returns received.

We can readily see that it would be impossible for the Company to continue operating the Mine if regulations were to be made in such a manner as set forth in this amendment. Therefore we request that this part of Annex 1 be deleted from amendment 10 and returned for our signature.

Very truly yours,

U. S. Metals Corporation
Alfred O. Brehmer
Alfred O. Brehmer, Pres.

FILE COPY
SURNAME:

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

DEPARTMENT OF THE INTERIOR
AGENCY: DMEA

Originator: WHGriswold/bjl
Rm.: 4058 Ext. 3669

Date: December 2, 1953

To: W. H. King, Executive Officer, DMEA Field Team, Region IV, Denver, Colorado

Reurlet of November 24 regarding questions of royalties under present Contract No. Idm-E29, Docket No. DMEA-606, U. S. Metals Corporation. Answers depend in part on whether Amendment No. 10 has been signed by Operator. Please advise us accordingly by teletype.

George C. Selfridge
Chairman, Operating Committee

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals (DMEA)
Accounts
Mr. Bishop
Mr. Kinkel
Chron.

SENT
DEC 2 1953
Clerical Service Section

FILE COPY
SURNAME:

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

N.S. in R.R.

November 30, 1953

Memorandum

To: Chief Counsel

From: W. T. Griswold

Subject: Docket No. GDA 606, U. S. Metals Corporation, Contract No. Idm-529.

The attached letter is self explanatory. Since it deals with contract legal matters would you be kind enough to prepare a reply to Mr. King.

/s/
W. T. Griswold

Attachment

Docket
Base Metals
Chron.

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

Defense Minerals Administration
RECEIVED
NOV 27 1953

224 New Customhouse
Denver 2, Colorado

November 24, 1953

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 606, Contract Idm-E29, U.S. Metals Corporation, San Juan County, Colorado

The U.S. Metals Corporation in the past has shipped crude ore to the Shenandoah Dives Mining Company. We have received royalty payments calculated on the net value and tonnage of the crude ore. Recently the U.S. Metals Corporation had in excess of 2,000 tons of ore milled in the Pride of the West Mill at Silverton, Colorado. The U.S. Metals Corporation is charged $6.00 a ton for milling. The zinc concentrates were sold to the Amarillo Plant of the American Smelting and Refining Company and lead concentrates were sold to the Arkansas Valley Plant of the American Smelting and Refining Company. The operator sent us a check in the amount of $30.73 in payment of royalties on these shipments.

We maintained that the exploration project contract requires the operator to pay royalty on the net proceeds realized from ore concentrates or metals produced. The royalty rate in this case would be 5 percent and the amount of royalty due the Government would be $1,084.05. The operator objects to paying a 5 percent royalty and maintains that article 14 of contract form MF-200 (April 1951) does not state that the royalty should be based upon the net value per ton of the ore in the form in which it is sold.

The Colorado State Bureau of Mines informs us that the Pride of the West Mill is owned by J. Cameron Grant and associates. We believe that the ownership of the Pride of the West Mill and of the U.S. Metals Corporation are closely related.

We are enclosing two copies of a letter dated November 14, 1953 from Alfred O. Brehmer, Treasurer, U.S. Metals Corporation. The wording of this letter is not very clear but our understanding is that the U.S. Metals Corporation believes they should base their royalty rate on the grade of the crude ore regardless of whether or not it is milled in the Pride of the West Mill.

Article 14 of the contract form does not require the payment of royalty until a certification has been made. We are unable to make a certification until the contract is completed. Contract form MF-200 (April 1951) does not state clearly that the operator is liable for royalty on ore produced prior to the certification.

DMEA Circular 32 states, "Although the provisions of the new contract forms are more explicit and certain, the intention is the same in both:..." The operator maintains that he is bound only by the contract, not by any circulars of later date, and that he interprets it to mean that the royalty rate should be based on the value of the crude ore.

Please advise us if we can require the operator to pay royalty on ore shipped to date and if the royalty rate should be based on the value of the crude ore or of the concentrates.

W. H. King

W. H. King

Enclosures

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 27 1953

November 14, 1953

Mr. [illegible] M. King, Executive Officer
Field Room, Region IV
Old Post Office
Denver, Colorado

RE: [illegible]

Dear Mr. King:

We would like a ruling on how to figure royalties on net smelter returns when the material shipped is in the form of concentrates. Our Contract [illegible], signed June 27, 1951, states that: "If net smelter returns or other net proceeds not in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent. If net smelter returns or other net proceeds in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent, plus one-half (½) percent additional for each full fifty cents ($.50) in excess of eight dollars ($8.00) per ton of ore, but not in excess of a maximum of five percent."

The Pride of West Mill is not engaged in buying ore but processes our ore into concentrates which we ship to the smelter. The Mill furnishes the Smelter with the amount of net and dry tons processed on each lot sent to the Smelter so that the trucking and milling charges are deducted out of the proceeds and the net smelter returns are sent to us from the Smelter.

We are operating our Mines on a split check and have computed the royalties due under the contract [illegible] according to the terms mentioned above and have made settlement with them accordingly.

Very truly yours,

U. S. Metals Corporation

Alfred O. Brehmer

Alfred O. Brehmer, Treas.

FILE COPY 11-19
SURNAME:

500

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

Chrisnell
Talbert
Selfridge
Johnson

NOV 19 1953

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA-606 (Lead-Zinc)
U. S. Metals Corporation
Henrietta Mine
San Juan County, Colorado
Contract No. Idm-E29

Dear Mr. King:

In response to your teletype of November 6, 1953, we are enclosing the original and five copies of Amendment No. 10 to the subject contract (signed by the Administrator), providing for a period of 36 months for contract completion and for a period of 11 years for royalty payments. If the amendment is satisfactory, will you kindly present it to the Operator for signature and distribute the copies in the usual manner.

We call your attention to the enclosed memorandum dated November 16 from the Chief Counsel in which it is noted that it is not necessary to provide a recess for a period that has already passed, as in this particular case.

Sincerely yours,

George C. Selfridge

(GHB)

Chairman, Operating Committee

Enclosures 7

WRGriswold/bjl (11/17/53)

APPROVED:

J. H. Hedges (GHB)
Member, Bureau of Mines

T. P. Thayer (GHB)
Member, Geological Survey

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kinkel
Chron.

P.C.G. 11-19-53

140

FILE COPY
SURNAME:

AEKane
Rubin

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

N.S. in R.R.

November 16, 1953

Memorandum

To: The Administrator
Through: Mr. W. R. Griswold

From: Chief Counsel

Subject: U. S. Metals Corporation, Docket No. DMA-606
Contract I-DMA-E29, Amendment No. 10

Reference is made to the memorandum to me dated November 12, 1953, from the Chief, Base Metals Division, requesting an amendment granting a recess and extending the time for performance.

Attached is Amendment No. 10 to the subject contract extending the period for performance, as requested, and further incorporating the new royalty provisions.

It is not necessary to incorporate in this amendment a stipulation concerning a recess for a period that has already passed. All that is essential is that the Operator perform the contract within the extended time for performance which is allowed to him.

Albert E. Kane
for J. L. Hofflund
Chief Counsel

Attachments

AEKane:ep

Copy to: Docket
Mr. Griswold
Mr. Hofflund
Mr. Kane
Chron.

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

November 16, 1953

Memorandum

To: The Administrator
Through: Mr. W. R. Griswold

From: Chief Counsel

Subject: U. S. Metals Corporation, Docket No. DMA-606
Contract I-DMA-E29, Amendment No. 10

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Albert E. Kane
for J. L. Hofflund
Chief Counsel

Attachments

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

FILE COPY
SURNAME:

MDL
Griswold
Hipman
Martin
Mitchell

DEPARTMENT OF THE INTERIOR
AGENCY DMEA

Originator: WRGriswold/hmj
Room: 4058 Ext: 3669

November 12, 1953
To: W. H. King Executive Officer, DMEA Field Team, Region IV, Denver, Colorado

Rewritt November 6, 1953, U. S. Metals Corporation, Docket No. DMEA-606, Contract Idm-129. We are preparing an amendment for recess, also extending the terminating date of contract and period of time for royalty payments from ten to eleven years.

W. S. Martin

ACTING Chairman, Operating Committee

SENT
NOV 12 1953
Clerical Service Section

cc to:
Docket
Adm. R. File
Op. Committee
Base Metals Div.
Accounts
Mr. Bishop
Mr. Kinkel
Chron.

R.C.S.
11-12-53

FILE COPY
SURNAME:

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

N. S. in R. R.

November 12, 1953

Memorandum

To: Chief Counsel

From: Chief, Base Metals Division

Subject: U. S. Metals Corporation, Docket No. DMEA-606, Contract No. Idm-E29

Will you please prepare an amendment for the Administrator's signature granting the recess as requested in Mr. King's teletype of November 6.

This amendment should also extend the completion time from December 27, 1953 to June 27, 1954, and also should extend the royalty payment period from ten to eleven years.

W. R. Griswold

W. R. Griswold

WRGriswold/bjl (11/12/53)

Copy to: Docket
Base Metals
Chron.

Mr. C. O. Mittendorf
Nov. 6, 1953
4:01 P.M.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 9 1953

DN 235 BUREAU MINES 11-6-53 1-56 PM

C O MITTENDORF

REFERENCE DOCKET 606, CONTRACT I-DMA3XXX 8$.XXXX IDMA-E29, U. S. METALS CORPORATION. OPERATOR REQUESTS AUTHORIZATION OF RECESS OF OPRXXX OPERATIONS EFFECTIVE JUNE 4,1953 WITH WORK TO BE RESUMED ON OR BEFORE OCTOBER 26,1953, BECAUSE OF INABILITY TO EMPLOY SATISFATXXX SATISFACTORY LABOR PERSONNEL. WORK WAS RESUMED OCTOBER 26,1953. PLEASE TELETYPE AUTHORIZATION FOR PREPARATION OF AMENDMENT.

W H KIND

Denver, Colo.

NOV 9 9 22 AM '53
BUREAU OF MINES
MAIL ROOM
WASHINGTON D.C.

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

224 New Customhouse
Denver 2, Colorado

August 7, 1953

Mr. Carl H. Peterson, Secretary
U. S. Metals Corporation
Mercantile Building
1031-15th Street
Denver 2, Colorado

Re: Docket No. DMA 606, Contract No. I-DMA-E29 (Lead-Zinc) (Henrietta Mine), San Juan County, Colorado

Dear Mr. Peterson:

Reference is made to your letter of July 7, 1953, wherein you request authorization for Government participation in repairs to the HD-14 Allis Chalmers tractor, to the extent of an estimated cost of $1950.00.

Your request for authorization of additional project expenditure for the maintenance of the access road to the Henrietta mine was denied by this office on the basis that it was previously agreed that all future costs of road maintenance would be absorbed by the U. S. Metals Corp. Therefore, inasmuch as the maintenance of the Allis Chalmers HD-14 tractor is a part of the expense involved in maintaining the road, your request for the Government to participate in additional repairs to the tractor is denied. You are hereby advised that the Government will not participate in the future costs of operation or maintenance of the HD-14 Allis Chalmers tractor as a charge to the DMEA Project under Contract I-DMA-E29.

The original intent of the authorization for initial repair for the HD-14 Allis Chalmers tractor was to place the tractor in operating condition, and not to purchase standby parts for future maintenance of the tractor.

Therefore, please submit an inventory in sextuplicate of the approximate $1,000.00 worth of excess parts which you state are on hand in your letter of July 7, 1953. The inventory should list the individual parts by name, part number, and quantity of each, the unit cost and the vendor who supplied the parts.

Very truly yours,

John F. Shaw

John F. Shaw
For W. H. King
Executive Officer
DMEA Field Team, Region IV

TWT:es

Contract
Chron.
Sec. to the Oper. Comm. w/encs.
Weaver with encs
Schmann (2) w/encs.
Townsend

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
August 4, 1953

Memorandum

To: Executive Officer, Field Team, Region IV

From: Chief, Mineral Resources Branch, Mining Division, Region IV

Subject: DMA 606, Contract I-DMA-E29 (Lead-zinc), U. S. Metals Corporation (Henrietta mine), San Juan County, Colorado - Request for amendment

Please find enclosed the original and five copies of W. E. Dare's memorandum recommending denial of the subject amendment request for Government participation in the amount of $1,950.00 in additional repairs to their HD-14 Allis Chalmers bulldozer. He further recommends that you request an inventory of repair parts costing $1,000.00, substantiated by invoices, in which the Government particpated in order that the amount can be disallowed from the next regular voucher inasmuch as the amount was included in the $5,655.48 allowed by Amendment No. 6 for tractor repair.

I approve Dare's recommendations.

W. M. Traver

W. M. Traver

enclosures

cc 5
E29
Chron.

WMT/pam

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
August 4, 1953

Memorandum

To: Chief, Mineral Resources Branch, Mining Division, Region IV

From: W. L. Dare

Subject: DMA 606, Contract I-DMA-E29 (Lead-zinc), U. S. Metals Corporation (Henrietta mine), San Juan County, Colorado - Request for amendment

Carl H. Peterson, secretary, U. S. Metals Corporation, in a letter to the Executive Officer, dated July 7, 1953, has requested authority to reallocate additional funds in the amount of $1,950.00 to the repair of the company-owned Allis Chalmers HD-14 tractor. Peterson requests that this amount be transferred from the $5,800.00 allocated by Amendment No. 6 for the rehabilitation of 580 feet of old raise.

In the original contract, $3,000.00 was stipulated for the initial repair of the tractor. When the operator requested an extension of funds in April 1952, Scott W. Hazen, Jr. made a detailed analysis of prior costs incurred during the period of July 1951 through January 1952 and showed that the Government had actually participated in parts and labor charges, required for the repair of the tractor, in the amount of $5,655.48. At that time, the operator agreed that no further repairs were needed and this total would be a maximum. It was this amount that was stipulated in Amendment No. 6, Exhibit E, Repairs and Rehabilitation. The requested transfer would increase the total to $7,605.48.

As of May 31, 1953, the unexpended balance of total contract funds is $30,318.48. Of the expenditures, $59,927.56 has been charged for rehabilitating the Henrietta tunnel, including the cost of driving the laterals. This sum is $17,380.44 in excess of the estimated $42,547.12 as set forth in Amendment No. 6 and the rehabilitation is as yet not complete. The operator has completed but 92.5 feet of the authorized 700 feet of drifting and has completed but 16 feet of the allowable 400 feet of raising. In R. R. McLellan's memorandum of May 5, 1953, regarding the location of the proposed 384 feet of new raise, he stated that because of the new raise, the necessity of rehabilitating the 580 feet of existing raise was eliminated. Peterson has not taken into consideration the fact that with the remaining funds it is not probable that they will be able to fully complete the proposed drifting and raising, notwithstanding the cost of rehabilitating the remaining tunnel. Actually, if a major portion of the new drifting and raising is to be completed, no funds remain for the rehabilitation of the old raise from which Peterson requests the transfer of funds. In order to complete as much of the exploration program as possible with the remaining funds, it is recommended that the request be denied.

It is believed that the company should be required to maintain the access road at their own expense for the remainder of the project with the other company-owned tractor since they have active production operations at the nearby Lark and Hercules mines and in the Surprise stope of the Henrietta mine. The exploration project is now a minor phase of their activities.

Peterson has stated in his letter that the company has on hand approximately $1,000.00 worth of HD-14 tractor parts in which the Government participated. Hazen reported that when he made the analysis of prior costs in June 1952, and at the time of the subsequent audit, it was suspected from the purchase vouchers that the company had purchased an excess of repair parts. However, this could not be proved as the stock was not available for inspection. Because Peterson definitely states that these extra parts are on hand, and because it was the intent of the contract to allow only those costs incidental to the initial repair of the tractor and not the costs of standby parts, it is recommended that the Executive Officer request the operator to submit an inventory listing the individual parts and their unit cost confirmed by vendors' invoices in order that disallowances can be made from subsequent monthly vouchers.

W. L. Dare
Mining Engineer

cc 5
E29
Chron.

WLD/pam

July 7, 1953

Mr. W. H. King, Executive Officer
Field Team, Region IV
[illegible] New Customhouse
Denver 2, Colorado

Dear Mr. King:

When the government granted us our first participating loan for the Henrietta Mine, the government participated with us to the extent of $5,655.18 for labor and repair on our HMH Allis Chalmers Bulldozer. Since that time, we had to put in another clutch and have had more or less difficulty with the Dozer and all the time we have been laboring under a misconception.

The mechanics have told us that the clutch would not stay in because the frame was spring, and as this was bought originally from the government as war surplus, we took for granted that this was the case. A short time back, the clutch went out again, and the boys in our company suggested that we junk this Caterpillar; however, as we have an almost new $6,000.00 motor in it, I couldn't see it. So, I called in an outsider, in fact it was a special representative of the Power Equipment Company, and upon a close examination, we found there was nothing wrong with the frame, but the fault was in the master bolts that were holding the bell housing.

We have on hand about $1,000.00 worth of new parts that the government has participated in, but it will take an additional $950.00 of parts, and $1,000.00 worth of labor, or $1,950.00, and with this, we are assured that we can put the HMH caterpillar, including the bell housing, in perfect condition.

We are, therefore, asking the government for an authorization to transfer $1,950.00 for repair on the HMH caterpillar from Item 6 in DMA 606, Contract 1-DMA-829, Henrietta Mine, for rehabing 580 feet, or a total allocation of $5,800.00. As we have not used any of this as yet, and our plans have been changed where we do not think we need all of it, we would like this $1,950.00 deducted, which leaves a balance of $3,850.00, and we believe we can get along with that.

I believe that you know it will be necessary for us to use our D6 Caterpillar for the Gaultie Bay roadwork and for removing snow there, this winter. It is necessary that we get this HMH put in shape so that we can use it for snow removals for the Henrietta.

Thanking you in advance for giving this letter your prompt attention, I remain,

Sincerely,

Carl H. Peterson

Carl H. Peterson
Secretary

CHP:mcf

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

224 New Customhouse
Denver 2, Colorado

April 29, 1953

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Amendment No. 9 to Contract I-DMA-E29, Docket DMA 606, U.S. Metals Corporation

Enclosed are the original and two copies of Amendment No. 9 to Contract I-DMA-E29. Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

Also enclosed are three copies of a letter from the operator requesting this amendment.

for John F. Shaw
W. H. King

Enclosures

case 5/4

COPY

March 31, 1953.

Mr. W. H. King
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Re: DMA Docket 606
Contract I-DMA-E29

Dear Mr. King:

It appears that our contract I-DMA-E29 for the Henrietta Mine expires June 27, 1953 and as it seems impossible to complete this contract by this date it is imperative that we ask for an extension. We would like to have it extended until December 31, 1953.

Thanking you for your usual prompt attention, we remain,

Respectfully yours,

U. S. METALS CORPORATION

/s/ Carl H. Peterson

Carl H. Peterson,
Secretary

CHP:rd

FILE COPY
SURNAME:

500

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

Griswold

April 20, 1953

Memorandum

To: Administrator

From: Chief, Base Metals Division

Subject: Pending Certifications

M.S. in B.R.

The attached notations are abstracted from the Base Metals Division Card Index covering projects which may be subject to later certification.

In most cases the projects are still active and there would seem to be no point in certifying them at this time. A few projects are terminated and only await final reports to certify.

On most of the listed projects future certification is either certain or highly probable. A few, however, only present indicative ore data so far, and may or may not be certified later, depending upon future exploratory work.

In magnitude of ore discovery importance, they range from highly significant and substantial discoveries, such as Silver Star Queens Mines, Inc., South Mountain Mining Company, Nabob Silver-Lead Company, Chief Consolidated Mining Company, Dale Mining Company, Calumet and Hecla, etc., down through discoveries of intermediate magnitude and finally, various projects in which the ore exposures (at least as of this time) are small and could be expected to have but little impact upon the general nation-wide ore position.

However, it may logically be expected that at least a certain number of projects, though possessing only an "intermediate" or "small" ore classification as of the moment, or may, with continuing exploratory work, become projects worthy of classification as substantial and important discoveries at a later date.

The following dockets were not reviewed, due to not being in the Division: Silver King Coalition, Eagle-Pitcher, U. S. Metals Corp. (Docket No. DMEA-606), and Highland Surprise.

WRGriswold/bjl
Copy to: Mails & Files
Admr. R. File
Op. Committee
Mr. Johnson
Mr. Selfridge
Base Metals
Chron.

W. R. Griswold

W. R. Griswold

Mr. Griswold
Mr. Keating

Mr. Alt

Attachment

OS

April 15, 1953

PENDING CERTIFICATIONS

Silver-Star Queens Mines, Inc. — Idaho
Docket No. DMEA-1635, Contract No. Idm-E152

Apparently an important discovery has produced and paid royalty. Certification is certain. Rough ore average is 8% lead and 8% zinc.

Sun Valley Lead-Silver Mines, Inc. — Idaho
Docket No. DMEA-1936, Contract No. Idm-E160

Small amount of ore so far, about 1,500 tons 5% lead and 4% zinc. Certification expected.

South Mountain Mining Company — Idaho
Docket No. DMEA-652, Contract No. Idm-E177

There appears to be a substantial discovery — present indicated tonnage would exceed 50,000, average assay 1.42 percent copper, 13.7 percent zinc. Another recent vein intersection (4 feet wide) assayed .03 oz. gold, 32 oz. silver, 18.1 percent lead and 5.2 percent zinc. Main target not yet reached.

Nabob Silver-Lead Company — Idaho
Docket No. DMEA-1596, Contract No. Idm-E184

A major orebody discovered of plus 375 feet length, ore thickness 4-6 feet, average grade 8-12 percent combined lead and zinc (mostly zinc). Indicated and inferred tonnage 50,000. Certification certain.

Elkhorn Consolidated, Inc. — Montana
Docket No. DMEA-2813, Contract No. Idm-E268

Probable small tonnage of medium grade and moderate tonnage low grade ore. Anticipate certification.

White Pine Lead Company — Montana
Docket No. DMEA-2034, Contract No. Idm-F273

Vein is strong but so far ore lenses within vein are short and width narrow. So far unimportant; few tons of ore shipped and royalty paid. Certification possible.

Elmer Enderlin — Idaho
Docket No. DMEA-2213, Contract No. Idm-E294

Work so far indicates about 8,000 tons of ore — grade 7.20% zinc, 0.30% WO_3. Certification certain. Of some importance in that it lies in a virtually unexplored area. New amendment for more work given at the end of March.

Jim Creek Mines, Inc. — Washington
Docket No. DMEA-2475 - Contract No. Idm-E318

Found extension of known ore zone and indication of parallel zone. Certification probable.

Commonwealth Lead Mining Company — Montana
Docket No. DMEA-49, Contract No. Idm-E150

Only small high grade ore pods so far. Application for more work pending. Certification likely as small shipments have been made.

Mines Management, Inc. — Washington
Docket No. DMEA-2269, Contract No. Idm-E308

Has extended a known ore zone 150 feet. Medium grade lead-zinc ore, small shipments made; paid royalty. Further ore possibilities good. Certification seems assured.

Edmund E. Pohl — Montana
Docket No. DMEA-2260, Contract No. Idm-E246

Drifting through high grade lead ore, varying to low grade lead-zinc ore. Shipments made and royalty paid. Certification certain. Raises driven at Operator's expense show high grade ore.

United Minerals Reserve Corporation — Idaho
Docket No. DMEA-81, Contract No. Idm-E18

So far have 50 feet of drifting on low grade ore. Recessed for winter. Certification possible, dependent upon future results.

Theo. Nasburg & Partners — Washington
Docket No. DMEA-325, Contract No. Idm-E60

Drifting has so far exposed a 60-foot length of narrow zinc ore (widths from 1.0 to 2.8 feet) with grade of 15-20 percent zinc. Continuing work could add to above. Probable certification.

Spokane Mining Syndicate — Washington
Docket No. DMEA-525, Contract No. Idm-E137

Drifting so far has revealed a 40-foot length (4-foot width) of low grade ore, 4.0 percent zinc and 1.8 percent lead. Further work may add to this. Certification possible, depending upon future results.

Farmer Mine Enterprises — Washington
Docket No. DMEA-2166, Contract No. Idm-E208

Contract is complete. Project revealed a low grade lead-zinc mineralized zone in limestone, width 65 feet, length unknown. Average grade 2-4 percent zinc, lead volume small. Certification dependent upon pending field evaluation.

Wylie M. Gardner & L. R. Vance (Hoodoo Mines) — Idaho
Docket No. DMEA-1959, Contract No. Idm-E223

Diamond drilling has shown a strong and persistent zinc-bearing vein. Strike length 400 feet, vein 5-8 feet thick, sludge and core assays from 1.55 to 15.4 percent zinc. Certification anticipated. Amendment pending for underground crosscutting and drifting.

Pioneer Mining Company — Washington
Docket No. DMEA-2266, Contract No. Idm-E390

Ore has been found from which shipment is being made, but concrete data is lacking. An amendment has just been granted providing for more work. Certification probable.

Glidden Company — California
Docket No. DMEA-1219, Contract No. Idm-E187

Ore (copper-zinc) intersections in three drill holes; no delineation possible. Operator has new application pending.

East Ridge Company — Colorado
Docket No. DMEA-1297, Contract No. Idm-E39

Work is complete. Ore has been shipped and royalty paid. Settlements for equipment and material, also final measurements, pending due to bad winter location (probably end of July to clear before property will be accessible).

Foreman, L. D. & Mary R. — California
Docket No. DMEA-2441, Contract No. Idm-E424

Good lead ore in two diamond drill holes; also good zinc ore. Shown in drift which was driven guided by diamond drill hole data. Certification can be made but, since project is active, it would be advisable to await further results.

Walker Corporation -- Nevada
Docket No. DMEA-2257, Contract No. Idm-E442

No data other than March 17 report by Henry W. James which states: "the heading had just broken into a face of lead-silver ore, dimensions of which are not yet known, assays indicate the grade of ore to be 6.8 percent lead and 32 ounces of silver."

Bristol Silver Mines Company — Nevada
Docket No. DMEA-420, Contract No. Idm-E10

Have opened up a limited tonnage of low grade manganese ore which may or may not be marketable.

Chief Consolidated Mining Company — Utah
Docket 1 and 1A, Contract No. Idm-E4

Dewatering under project made known ore available. Can be certified. Operator states that exploration project to date has given excellent results, with substantial proven tonnages. New amendments pending — deepening shaft, etc. New tonnage estimated at 500,000 by the Operator.

Harrington Mines Company — Utah
Docket No. DMEA-989, Contract No. Idm-E131

A vein was discovered, width from 4.5 feet to 6 inches, apparently low grade and high silica content, chief minerals (commercial) believed gold and silver. No assays yet. Project complete, but no final reports. Possible certification, dependent upon additional data.

Silver Bay Mines — Colorado
Docket No. DMEA-487, Contract No. Idm-E26

Small amount of low grade ore at present. Certification would be dubious but amendment allowing more drifting may improve the situation.

Shelton Mining Company — Missouri
Docket No. DMEA-1088, Contract No. Idm-E122

Contract is terminated and certification should be made when Field Team final report is received. Such report will contain grade and tonnage calculations.

Silver Bell Mines Company — Colorado
Docket No. DMEA-2165, Contract No. Idm-E312

Drifting on narrow vein of lead-silver-copper ore. Stoping being done on DMEA ore. Certification appears certain.

Verne Byrne — New Mexico
Docket No. DMEA-2383, Contract No. Idm-E337

Drifting on a narrow lead-zinc-copper vein; grade of ore stated to be "very good". From previous reports grade is probably in the vicinity of 16 percent lead, 26 percent zinc, with small amounts of copper, gold and silver. Some small ore shipments have been made. Certification likely.

Dale Mining Company — Missouri
Docket No. DMEA-2485, Contract No. Idm-E325

Total of 12 churn drill holes of project delineated an estimated recoverable reserve of 300,500 tons from which 11,004 tons of 60 percent zinc concentrate may be recoverable. Crude ore grade 2.75 percent zinc, plus a probable small amount of lead. Certification certain. Amendment issued for drilling a nearby property, but "Owner's Consent to Lien" not yet received.

United Mining & Development Company — Utah
Docket No. DMEA-1923, Contract No. Idm-E340

Drifting so far has revealed one short ore body (about 35 feet long, average width 4 feet) from which 38 tons of ore have been shipped and royalty paid. Ore grade — 8.95 percent lead, 9.45 percent zinc, 0.28 percent copper, 0.02 oz. gold and 0.27 oz. silver. Continuing work may show additional ore. Certification probable.

E. P. Scallon — Wisconsin
Docket No. DMEA-1203, Contract No. Idm-E14

A churn drilling program which apparently showed ore but no final reports nor audits have been received. Letter written to the field.

Calumet & Hecla — Wisconsin
Docket No. DMEA-1206, Contract No. Idm-E57

Substantial volumes of ore have been delineated but statements on tonnages and grades should properly be made at project completion. Certification certain.

Vinegar Hill Zinc Company — Wisconsin
Docket No. DMEA-1263, Contract No. Idm-E161

Ore has been found and certification appears certain. Project should be appraised after completion of work still in progress, though at a reduced rate of churn drilling.

Dodgeville Mining Company — Wisconsin
Docket No. DMEA-1561, Contract No. Idm-E167

Project terminated November 1952. Certification will depend upon final report from the field and final report from the Operator — not yet received.

D. H. & S. Mining Company — Wisconsin
Docket No. DMEA-2073, Contract No. Idm-F245

Churn drilling has shown ore and certification would appear certain. Work continues.

Sunset Minerals, Inc. — Idaho
Docket No. DMEA-1489, Contract No. Idm-E102

Encouraging ore showings are being encountered and it appears certification is likely. Work is continuing and it is yet too early to attempt an appraisal.

Snoose Mining Company — Idaho
Docket No. DMEA-211, Contract No. Idm-E120

A few small shipments of intermediate grade ore have been made in the nature of test shipments. Certification as yet indeterminate, depending upon future results.

Cadwell Mining Company — Colorado
Docket No. DMEA-627, Contract No. Idm-E34

Small shipments of ore have been made. Work is continuing. Certification later would appear probable.

Shelby-Johnson Mines — Colorado
Docket No. DMEA-1528, Contract No. Idm-E27

Two of five diamond drill holes done so far show narrow ore intersections. Project is presently recessed for winter but later drilling may add to ore data. Possible certification later.

Funnell and Majer — Idaho
Docket No. DMEA-2236, Contract No. Idm-E267

High silver ore, width in excess of drift face, recently encountered on 400 level. Four grab samples assayed silver 197 ozs., 8 ozs., 20 ozs., and 50 ozs. Lead and zinc values are low. Some tungsten mineralization present, one assay 0.95 WO_3. Work continues.

Bunker-Chance Mining Company — Idaho
Docket No. DMEA-495, Contract No. Idm-E283

The Operator states, "work along the structure in the east end indicates we have the top of an ore shoot 150 feet long." Certification will depend upon further work, but is considered likely.

Miller, J. E. and Lulu M. — Iowa
Docket No. DMEA-1315, Contract No. Idm-E178

Project complete. Churn drilling showed erratic ore distribution — three lead-zinc "upper run" deposits were shown. Tonnage of reserve is not large but some production is likely as a result of the exploration. This is ready to be certified. Tonnage estimate shows three areas:

Area "A"	465 tons	3.3 percent zinc
Area "B"	1,170 tons	9.15 percent lead
Area "C"	2,489 tons	1.59 percent zinc, 3.96 percent lead

FILE COPY
SURNAME:

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UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS ADMINISTRATION
WASHINGTON 25, D. C.

Griswold
Britin
Hoffman
Selfridge
Johnson

Mr. [illegible] King, Executive Officer
[illegible] Field Team, Region IV
224 Old Customhouse Building
Denver 2, Colorado

APR 1 4 1953

Re: Docket No. [illegible]-606 (Lead-Zinc-Copper)
[illegible] Metals Corporation
Henriette Mine
San Juan County, Colorado
Contract No. I-[illegible]-729

Dear Mr. King:

J.C. 4/14/53

Referring to your letter of April 2, 1953, regarding the subject docket, we are enclosing the original and five copies of Amendment No. 2, signed by the Government, as submitted by you.

Kindly have the Operator sign the amendment and distribute the copies in the usual manner.

Sincerely yours,

George C. Selfridge (GHB)

Chairman, Operating Committee

Enclosures 6

WRGriswold/bjl (written 4/10/53)

Approved:

Jo H. Hodges (GHB)
Member, Bureau of Mines

A. R. Kinkel, Jr. (GHB)
Member, Geological Survey

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals Div.
Mr. Bishop
Mr. Newcomb
Chron.

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

224 New Customhouse
Denver 2, Colorado

April 3, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 6 1953

To: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA 606 (Lead-Zinc-Copper), Contract I-DMA-R29
U. S. Metals Corporation, San Juan County, Colorado

Enclosed is the following matter pertaining to the extension of completion time of work under the subject contract.

1. Three copies of the request from the operator, dated March 31, 1953.

2. The original and five copies of Amendment No. 9 which has been prepared by this office.

The amendment has been prepared for the Administrator's signature inasmuch as the extension of time exceeds the two year period.

W. H. King
W. H. King

Enclosures

March 31, 1953.

Defense Minerals Administration
RECEIVED
APR 6 1953

Mr. W. H. King
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Re: DMA Docket 606
Contract I-DMA-E29

Dear Mr. King:

It appears that our contract I-DMA-E29 for the Henrietta Mine expires June 27, 1953 and as it seems impossible to complete this contract by this date it is imperative that we ask for an extension. We would like to have it extended until December 31, 1953.

Thanking you for your usual prompt attention, we remain

Respectfully yours,

U. S. METALS CORPORATION

Carl H. Peterson

Carl H. Peterson,
Secretary

CHP:rd

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

224 New Customhouse
Denver 2, Colorado

December 19, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 22 1952

Memorandum

To: Secretary to the Operating Committee

From: Executive Officer, Field Team, Region IV

Subject: Form MF-104, DMA Docket 606, Contract I-DMA-E29 (Lead-Zinc-Copper)
U. S. Metals Corporation, San Juan County, Colorado

Enclosed are two copies of the Operator's Monthly Progress Report MF-104 and 104A, Operator's Narrative Report, Inspecting Engineer's Narrative Report, and other supporting data for the month of September, 1952, pertaining to DMA Docket 606, Contract I-DMA-E29, U. S. Metals Corporation.

John F. Shaw

John F. Shaw for
W. H. King

Enclosures

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

November 25, 1952

Memorandum

To: Administrator

From: Chief Counsel

Subject: U. S. Metals Corporation formerly U. S. Oil and Development Corporation - Docket No. DMA-606X, Contract No. Idm-E29

Reference is made to a memorandum from this office to you of October 23, regarding a further amendment of the contract to permit the expenditure of more money " . . . for the construction and maintenance of access roads to the Henrietta No. 7 tunnel."

Please disregard the memorandum of October 23. It raised the question of whether the road work should await action by the Bureau of Public Roads on an application which apparently is pending. This is not a legal question but one for administrative consideration. If the road work is deemed to be necessary to the performance of the exploration contract, there is no objection to including it as a part of the work to which the Government will contribute even though it might have been possible to procure the performance of the same work at a later date by the Bureau of Public Roads. Insofar as the work is done under the exploration project contract, the Operator contributes half of the cost, which would not be the case if the work were done by the Bureau of Public Roads.

The amendment of the contract has already been entered into. It is in the form of a letter dated September 26, 1952. It bears no amendment number. It would have been preferable to write it as a formal amendment signed by both parties, numbered in sequence, according to the usual practice. However, the unnumbered letter - amendment, is approved by this office insofar as the legalities are concerned.

I suggest that you send a copy of this memorandum to Mr. King, for which purpose an extra copy is attached.

J. L. Hofflund
J. L. Hofflund
Chief Counsel

Pls send copy to King as suggested

note 11-28-52

mailed 11-26-52 A.H.

E.O.M. (for)

FILE COPY
SURNAME:

140

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

November 25, 1952

Memorandum

M. S. in R. & R.

To: Administrator

From: Chief Counsel

Subject: U. S. Metals Corporation formerly U. S. Oil and Development Corporation - Docket No. DMA-606X, Contract No. Idm-E29

Reference is made to a memorandum from this office to you of October 23, regarding a further amendment of the contract to permit the expenditure of more money " . . . for the construction and maintenance of access roads to the Henrietta No. 7 tunnel."

Please disregard the memorandum of October 23. It raised the question of whether the road work should await action by the Bureau of Public Roads on an application which apparently is pending. This is not a legal question but one for administrative consideration. If the road work is deemed to be necessary to the performance of the exploration contract, there is no objection to including it as a part of the work to which the Government will contribute even though it might have been possible to procure the performance of the same work at a later date by the Bureau of Public Roads. Insofar as the work is done under the exploration project contract, the Operator contributes half of the cost, which would not be the case if the work were done by the Bureau of Public Roads.

The amendment of the contract has already been entered into. It is in the form of a letter dated September 26, 1952. It bears no amendment number. It would have been preferable to write it as a formal amendment signed by both parties, numbered in sequence, according to the usual practice. However, the unnumbered letter - amendment, is approved by this office insofar as the legalities are concerned.

I suggest that you send a copy of this memorandum to Mr. King, for which purpose an extra copy is attached.

JLHofflund/ema/
cc: Mails & Files
J. L. Hofflund
A. E. Kane
Chron.

J. L. Hofflund
Chief Counsel

FILE COPY
SURNAME:

Talbert

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

NOV 25 1952

..Finch
Auditor, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket DMA-606
Contract Idm-E29
U. S. Metals Corporation

Dear Don:

Receipt is acknowledged of your second interim audit report covering the referenced project.

Your audit report reflects a job well done. The extent of your audit, your findings and your determinations are stated in a clear and concise manner. And it appears that you have pulled an errant Operator back on the "beam".

The following rather minor criticisms are not for correction in this case but for consideration in future audits where applicable:

(1) The Audit Certificate should indicate the entire period covered by both the previous and current audits since you are certifying to the cumulative costs and payments. (Incidentally, you left out the words "Total Accepted Cost");

(2) The "Total Cost as Billed by Contractor" should stand as the total being audited to, and the error in bringing totals forward ($75.20, in this case) should be shown as part of the "Exceptions"; and

(3) Between the first and second sentences of the introductory paragraph to "III. Scope of Audit and Findings", a sentence similar to the following should be inserted: "In view of the previous audit(s) covering the period from _____ to _____, except as otherwise indicated this audit was restricted to the costs claimed by the Operator since that latter date."

Incidentally, the "Approved Totals to Date" shown on the Washington copies of the August MF-104 are incorrect. Apparently the disallowances in July of $258.55 were overlooked. You might call this to Mrs. Stokes' attention informally.

Sincerely yours,

(Signed) E. D. Talbert

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

EDTalbert/wb
November 25, 1952

Copy to: Docket
Admr. Reading File
Mr. Talbert

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 6 1952

224 New Customhouse
Denver 2, Colorado

November 3, 1952

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Amendment No. 8 to Contract I-DMA-E29, Docket DMA 606, U.S. Metals Corporation

Enclosed are the original and two copies of Amendment No. 8 to Contract I-DMA-E29. Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

Also enclosed are three copies of a letter from the operator requesting this amendment and three copies of a memorandum from a Bureau of Mines engineer recommending this amendment.

W. H. King

W. H. King

Enclosures

11-6

RECEIVED
NOV 14 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

Posted 11-7-52

FILE COPY
SURNAME:

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

140

AEKane

October 23, 1952

Memorandum

To: Administrator

From: Chief Counsel

Subject: U. S. Metals Corporation, Docket No. DMA-606X

Mr. Keating has approved an amendment authorizing an additional $100.00 "for the construction and maintenance of access roads to the Henrietta No. 7 Tunnel."

I call your attention to the fact that the Operator states that the Commissioner of Public Roads granted his request for the improvement of the Lark Road (presumably the "access road"), but that there was not any money available at the present time. Mr. Keating states, on the contrary, that he has just communicated with the authorities of the Bureau of Public Roads and that this money available, but that work on the road could not be started until Spring (although winter keeping the mine open) the project will not consist of anything more than work.

The Operator then states that he was authorized by Mr. Townsend to and did spend $480 on the improvement of the Lark Road in which the Government is now asked to participate to the extent of $240. He then continues ambiguously, "if the Lark Road work is not to be done immediately," to include "the road from the Lark Mine to the Henrietta" and asks $600 for that purpose.

The amendment is unclear and we shall ask for clarification, but before doing so, your comment is invited with respect to using DMEA funds for Road Work rather than funds that might be contributed by the Bureau of Public Roads.

AEK (mef)

J. L. Hofflund
Chief Counsel

Attachments

AEKane/mef
cc to: Mails and Files
Mr. Kane
Mr. Hofflund
Chron.

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

140

October 23, 1952

Memorandum

To: Administrator

From: Chief Counsel

Subject: U. S. Metals Corporation, Docket No. DMA-606X

Mr. King has approved an amendment authorizing an additional $1,100.00 "for the construction and maintenance of access roads to the Henrietta No. 7 Tunnel."

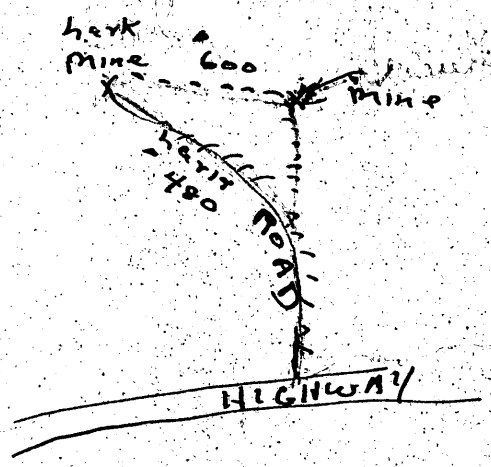
I call your attention to the fact that the Operator states that the Commissioner of Public Roads granted his request for the improvement of the Lark Road (presumably the "access road"), but that there was not any money available at the present time. /Mr. Keating states, on the contrary, that he has just communicated with the authorities of the Bureau of Public Roads and that there is money available, but that work on the road could probably not be started until Spring (although winter work on the project will not consist of anything more than keeping the mine open)/

The Operator then states that he was authorized by a Mr. Townsend to, and did, spend $480 on the improvement of the Lark Road in which the Government is now asked to participate to the extent of $240. He then continues ambiguously, "if the Lark Road work is not to be done immediately," to include "the road from the Lark Mine to the Henrietta", and asks $600 for that purpose.

The amendment is unclear and we shall ask for a clarification, but before doing so, your comment is invited with respect to using DMEA funds for Road Work rather than funds that might be contributed by the Bureau of Public Roads.

for Allyl E. Kane
J. L. Hofflund
Chief Counsel

Attachments


Park
Mine
600
Mine
Park
480
ROAD
HIGHWAY

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION 140
WASHINGTON 25, D. C.

October 23, 1952

Memorandum

To: Administrator

From: Chief Counsel

Subject: U. S. Metals Corporation, Docket No. DMA-606X

Mr. King has approved an amendment authorizing an additional $1,100.00 "for the construction and maintenance of access roads to the Henrietta No. 7 Tunnel."

I call your attention to the fact that the Operator states that the Commissioner of Public Roads granted his request for the improvement of the Lark Road (presumably the "access road"), but that there was not any money available at the present time. (Mr. Keating states, on the contrary, that he has just communicated with the authorities of the Bureau of Public Roads and that there is money available, but that work on the road could probably not be started until Spring (although winter work on the project will not consist of anything more than keeping the mine open))

The Operator then states that he was authorized by a Mr. Townsend to and did spend $480 on the improvement of the Lark Road in which the Government is now asked to participate to the extent of $240. He then continues ambiguously, "if the Lark Road work is not to be done immediately," to include "the road from the Lark Mine to the Henrietta" and asks $600 for that purpose.

The amendment is unclear and we shall ask for a clarification, but before doing so, your comment is invited with respect to using DMEA funds for Road Work rather than funds that might be contributed by the Bureau of Public Roads.

AEK (mef)

J. L. Hofflund
Chief Counsel

Attachments

AEKane/mef
cc to: Mails and Files
Mr. Kane
Mr. Hofflund
Chron

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

140

October 23, 1952

Memorandum

To: Administrator

From: Chief Counsel

Subject: U. S. Metals Corporation, Docket No. DMA-606X

Mr. King has approved an amendment authorizing an additional $1,100.00 "for the construction and maintenance of access roads to the Henrietta No. 7 Tunnel."

I call your attention to the fact that the Operator states that the Commissioner of Public Roads granted his request for the improvement of the Lark Road (presumably the "access road"), but that there was not any money available at the present time. [Mr. Keating states, on the contrary, that he has just communicated with the authorities of the Bureau of Public Roads and that there is money available, but that work on the road could probably not be started until Spring (although winter work on the project will not consist of anything more than keeping the mine open)]

The Operator then states that he was authorized by a Mr. Townsend to and did spend $480 on the improvement of the Lark Road in which the Government is now asked to participate to the extent of $240. He then continues ambiguously, "if the Lark Road work is not to be done immediately," to include "the road from the Lark Mine to the Henrietta" and asks $600 for that purpose.

The amendment is unclear and we shall ask for a clarification, but before doing so, your comment is invited with respect to using DMEA funds for Road Work rather than funds that might be contributed by the Bureau of Public Roads.

JLH (mcf)

J. L. Hofflund
Chief Counsel

Attachments

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

n.s. in R. & R.

500

DMEA-Base Metals Div.

AGKeating/bjl
3669 2616

October 2, 1952

W. E. King, Executive Officer, DMEA Field Team, Region IV, Denver, Colorado

Please disregard my letter September 29 re DMA-606, U. S. Metals Corporation. Original of Amendment No. 6 has been located.

(signed) FRANK E. JOHNSON

F. E. Johnson
Chairman, Operating Committee

AGKeating/bjl

Copy to: Docket
Admr. R. File
Op. Committee
H. F. Keller (2)
A. G. Keating
Mr. Bishop
Mr. McKnight
Audits
Chron.

SENT

OCT 3

Service Section

DOCKET COPY

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

DEPARTMENT OF
Defense Minerals
RECEIVED
OCT 6 1952
DOCKET COPY

224 New Customhouse
Denver 2, Colorado

October 1, 1952

Memorandum

To: C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Amendment No. 7 to Contract I-DMA-E29 (lead-zinc), Docket No. DMA 606, U. S. Metals Corporation

Enclosed are the original and two copies of Amendment No. 7 to contract I-DMA-E29. Copies of this amendment have been given to the operator, to the Fiscal Officer, Region IV, and a copy has been retained for our files.

Also enclosed are three copies of a letter from the operator requesting this amendment, and three copies of a memorandum from the Bureau of Mines engineer recommending this amendment.

W. H. King
W. H. King

Enclosures

cae
10-20

FILE COPY
SURNAME:

Keating

500

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

SEP 29 1952

BY

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
Contract No. Idm-F29
U. S. Metals Corporation
Henrietta Mine
San Juan, Colorado

Dear Mr. King:

This will acknowledge receipt of your memorandum dated September 9, 1952, with which you enclosed the Division copy and Docket copy of Amendment No. 6 to the above contract.

The original of the amendment cannot be located in the Washington office, and it is surmised that it may have been sent to your office by mistake when we returned the Operator's copy and Finance Office copy with our letter dated September 3, 1952. If this is the case, and if you now have the original of the amendment, it would be greatly appreciated if you would return it to this office.

However, if you do not have the original of the amendment, it will then be necessary for you to prepare another, have it fully executed, and sent to this office.

Sincerely yours,

Frank E. Johnson (B.H.) B.H. 9-29-52

Chairman, Operating Committee

Copy to: Docket
Admr. R. File
Oper. Committee
H. F. Keller (2)
A. G. Keating
Mr. Bishop
Mr. McKnight
Chron.

APPROVED:

C. H. Johnson (B.H.)
Member, Bureau of Mines

A. R. Kinkel, Jr. (B.H.)
Member, Geological Survey

AGKeating/bjl (written 9/29/52)

ouse
rado

September 26, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
SEP 29 1952

Peterson, Secretary
ls Corporation
Mercantile Building
Arapahoe Streets
2, Colorado

Re: DMA Docket 606
Contract I-DMA-E29

Mr. Peterson:

Reference is made to your letter dated September 23, 1952, wherein you request authority to perform necessary work to improve the access road to the Henrietta No. 7 Tunnel.

The last sentence in paragraph (1) under EXHIBIT "A" of Amendment No. 6 to Contract I-DMA-E29, pertaining to construction and maintenance of an access road, is stated as follows: "This work is limited in extent to that approved by the DMEA representative".

Authority is herewith granted to exceed the funds allocated under EXHIBIT "B", item (1) of Amendment No. 6 to Contract I-DMA-E29, by an amount not to exceed $1,100.00, or a total expenditure of not to exceed $3,226.74, for the construction and maintenance of access roads to the Henrietta No. 7 Tunnel. Such costs shall include all labor, supervision, supplies, and the cost of operation of trucks, tractors, loaders and other necessary equipment, whether or not the equipment is scheduled under EXHIBIT "C", "Operating Equipment", "(c) To be furnished by Operator", which is a part of said Amendment No. 6. The increase of funds allocated as stated above will be deducted from funds allocated to the underground work.

This authority shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Very truly yours,

W. H. King

W. H. King
Executive Officer
DMEA Field Team, Region IV

JWT:jp
cc Administrator DMEA (3)
Fiscal Officer, Reg. IV
WMTraver
Contract
Chron
AHKoschmann (2)

September 23, 1952

Mr. William H. King
Executive Officer
Field Team, Region 4
Rm 224, New Custom House
Denver 2, Colorado

Dear Mr. King:

About September 6th or 7th, I called your office from Silverton, in reference to doing work on the Lark Road and learned that you were in a conference, so I asked to talk to Mr. Townsend.

This road got to bad for trucking even transporting our men to and from work. The day I called you, we blew out two tires on our station wagon, so I asked Mr. Townsend's permission to allow us to repair the road with Government participation of 50%. Mr. Townsend thought this would be alright and asked me, that as soon as I get back to Denver, to write a letter for this request.

It took us four days with the loader, truck and a small cat, to do this work and I request that we be allowed $15.00 an hour for the three pieces of equipment or 32 hours, which would amount to $480.00, and we are asking that the Government participate in half of this or $240.00. We consider this very reasonable for the amount of work performed, because the road is now in good shape.

On returning to our Denver office, I found a copy of a letter from Mr. Thomas H. McDonald, Commissioner of Public Roads, Bureau of Public Roads, Room 6004, G.A.S. Building, Washington 25, D.C., in which our request for the improvement for the Lark road has been granted. However, I learned from Mr. Traver that there isn't any money available in Washington for this road work at the present time.

Keep up

If the Lark road work is not to be done immediately, would it be possible to include the road from the Lark Mine to the Henrietta, which is approximately 1200 feet and this would require a large and long flume crossing Prospect Creek. The road we are using makes it almost impossible to get across to the Henrietta on a wet day and when the snow comes the road where it crosses the Creek fills up almost immediately. We would be glad to do this work if the Government will participate on a 50-50 basis, otherwise we will not be able to use this road. We estimate that the maximum cost of this road would not be over $600.00, the Government would participate on the basis of $300.00.

Thanking you for giving this matter your usual prompt attention, I remain

Sincerely yours,
U.S. Metals Corporation

Carl H. Peterson

Carl H. Peterson
Secretary

CHP:av

Public Roads certified to $1700.00 for road work [illegible] road to Galena - with spur to Henrietta and Park - 2.5 miles. work functions of State road.
Bureau of Public Roads (Mr Walker) recommends that we allow amendment will from the Government money since Public Roads plans to build road in the Mining and day work done by operator will be deducted from B.R. work.

224 New Customhouse
Denver 2, Colorado

September 26, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
SEP 29 1952

Mr. Carl H. Peterson, Secretary
U. S. Metals Corporation
205-11-16 Mercantile Building
15th and Arapahoe Streets
Denver 2, Colorado

Re: DMA Docket 606
Contract I-DMA-229

Dear Mr. Peterson:

Reference is made to your letter dated September 23, 1952, wherein you request authority to perform necessary work to improve the access road to the Henrietta No. 7 Tunnel.

The last sentence in paragraph (1) under EXHIBIT "A" of Amendment No. 6 to Contract I-DMA-229, pertaining to construction and maintenance of an access road, is stated as follows: "This work is limited in extent to that approved by the DMEA representative".

Authority is herewith granted to exceed the funds allocated under EXHIBIT "B", item (1) of Amendment No. 6 to Contract I-DMA-229, by an amount not to exceed $1,100.00, or a total expenditure of not to exceed $3,226.74, for the construction and maintenance of access roads to the Henrietta No. 7 Tunnel. Such costs shall include all labor, supervision, supplies, and the cost of operation of trucks, tractors, loaders and other necessary equipment, whether or not the equipment is scheduled under EXHIBIT "C", "Operating Equipment", "(a) To be furnished by Operator", which is a part of said Amendment No. 6. The increase of funds allocated as stated above will be deducted from funds allocated to the underground work.

This authority shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Very truly yours,

W. H. KING

W. H. King
Executive Officer
DMEA Field Team, Region IV

JWT:jp
cc Administrator DMEA (3)
Fiscal Officer, Reg. IV
WMTraver
Contract
Chron
AHKoschmann (2)

September 23, 1952

Mr. William H. King
Executive Officer
Field Team, Region 4
Rm 224, New Custom House
Denver 2, Colorado

Dear Mr. King:

About September 6th or 7th, I called your office from Silverton, in reference to doing work on the Lark Road and learned that you were in a conference, so I asked to talk to Mr. Townsend.

This road got to bad for trucking even transporting our men to and from work. The day I called you, we blew out two tires on our station wagon, so I asked Mr. Townsend's permission to allow us to repair the road with Government participation of 50%. Mr. Townsend thought this would be alright and asked me, that as soon as I get back to Denver, to write a letter for this request.

It took us four days with the loader, truck and a small cat, to do this work and I request that we be allowed $15.00 an hour for the three pieces of equipment or 32 hours, which would amount to $480.00, and we are asking that the Government participate in half of this or $240.00. We consider this very reasonable for the amount of work performed, because the road is now in good shape.

On returning to our Denver office, I found a copy of a letter from Mr. Thomas H. McDonald, Commissioner of Public Roads, Bureau of Public Roads, Room 6004, G.A.S. Building, Washington 25, D.C., in which our request for the improvement for the Lark road has been granted. However, I learned from Mr. Traver that there isn't any money available in Washington for this road work at the present time.

If the Lark road work is not to be done immediately, would it be possible to include the road from the Lark Mine to the Henrietta, which is approximately 1200 feet and this would require a large and long flume crossing Prospect Creek. The road we are using makes it almost impossible to get across to the Henrietta on a wet day and when the snow comes the road where it crosses the Creek fills up almost immediately. We would be glad to do this work if the Government will participate on a 50-50 basis, otherwise we will not be able to use this road. We estimate that the maximum cost of this road would not be over$600.00, the Government would participate on the basis of $300.00.

Thanking you for giving this matter your usual prompt attention, I remain

Sincerely yours,
U.S. Metals Corporation

Carl H. Peterson

Carl H. Peterson
Secretary

CHP:av

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
SEP 12 1952

224 New Customhouse
Denver 2, Colorado

September 9, 1952

Memorandum

To: Chairman of the Operating Committee

From: Executive Officer, Field Team, Region IV

Subject: Docket DMA 606, Contract I-DMA-E29, U. S. Metals Corporation, Amendment No. 6

Enclosed are the Division copy and Docket copy of Amendment No. 6 to Contract I-DMA-E29 as requested in your letter of September 3.

W. H. King

W. H. King

Enclosures

RECEIVED
OCT 1 - 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

9-13-52

Docket

FILE COPY
SURNAME:

500

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

SEP 3 1952

Mr. W. H. King
Executive Officer, Region IV
DMEA Field Team
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
Contract No. IDMA-E29
U. S. Metals Corporation
Amendment No. 6

Dear Mr. King:

We have your memorandum of August 21, 1952, to Mr. C. O. Mittendorf, in which you returned the original and two copies of the executed Amendment No. 6.

In this letter we are returning the Operator's Copy and the Finance Office Copy which were erroneously returned to this office in the aforementioned memorandum. Kindly return in their stead, the Division Copy and the Docket Copy which were retained by your office.

Sincerely yours,

Ernest Wm. Ellis (EWE)
ACTING Chairman, Operating Committee

Enclosures - 2
APPROVED:

J. H. Hedges (JHH)
Member, Bureau of Mines

D. M. Lemmon (DML)
Member, Geological Survey

H. F. Keller-mb
Sept. 2, 1952
Copy to: Docket
Adm. Reading File
Operating Committee
Mr. Keller (2)
Mr. Bishop
Mr. McKnight
Region IV

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

224 New Customhouse
Denver 2, Colorado

August 29, 1952

Memorandum

To: Acting Administrator, Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Amendment No. 2 - Contract I-DMA-E29, Docket No. DMA-606, U. S. Metals Corporation (Lead-Zinc)

Amendment No. 2 to contract I-DMA-E29 was prepared because it was known that it is more economical to hire miners on a contract stage basis to do this particular type of work than to pay miners on a day's pay basis.

A copy of a letter from Mr. John P. Ost, engineer for the U. S. Metals Corporation, requesting this amendment is attached.

W. H. King

W. H. King

Enclosure

November 13, 1951

OFFICE ENGINEER
NOV 14 1951

Mr. J. H. East, Jr.
Executive Officer, D.M.A.
324 New Custom House
Denver 2, Colorado

Dear Mr. East:

It is our desire to have you approve an amendment to our contract which will allow us to enter into a labor agreement with miners on reopening the Henrietta Tunnel.

I have been through this tunnel up to the point (Surprise Vein) covered in our contract with your office. There are many different conditions that we will have to work through. Part of the distance will be through untimbered sections which will only have to be barred down, cleaned up, new track, ties and pipe installed. Other sections will require considerable muck to be removed and new timbers to be installed. This will require several different prices for this work on a footage basis. Therefore, I feel we should have a price ranging from $3.00 per foot to $10.00 per foot to meet the different conditions; the condition and price per foot to be determined by the engineer in charge as the condition changes from time to time.

This agreement to be made only with the actual miners, not more than two (2) on a shift. This method of pay would put us in a much better position to get better miners and to get better work from those which we now have.

Very truly yours,

U.S. OIL & DEVELOPMENT CORPORATION

By John P. Ost
John P. Ost, Engineer

JPO.w

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

224 New Customhouse
Denver 2, Colorado

August 29, 1952

Memorandum

To: Acting Administrator, Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Amendment No. 2 - Contract I-DMA-E29, Docket No. DMA-606, U. S. Metals Corporation (Lead-Zinc)

Amendment No. 2 to contract I-DMA-E29 was prepared because it was known that it is more economical to hire miners on a contract stage basis to do this particular type of work than to pay miners on a day's pay basis.

A copy of a letter from Mr. John P. Ost, engineer for the U. S. Metals Corporation, requesting this amendment is attached.

W. H. King
W. H. King

Enclosure

November 15, 1951

Mr. J. H. East, Jr.
Executive Officer, D.M.A.
Old New Custom House
Denver 2, Colorado

Dear Mr. East:

It is our desire to have you approve an amendment to our contract which will allow us to enter into a labor agreement with miners on reopening the Montezuma Tunnel.

I have been through this tunnel up to the point (Surveyor Vein) covered in our contract with your office. There are many different conditions that we will have to work through. Part of the distance will be through untimbered sections which will only have to be barred down, cleaned up, new track, ties and pipe installed. Other sections will require considerable muck to be removed and new timbers to be installed. This will require several different prices for this work on a footage basis. Therefore, I feel we should have a price ranging from $3.00 per foot to $10.00 per foot to meet the different conditions; the condition and price per foot to be determined by the engineer in charge as the condition changes from time to time.

This agreement to be made only with the actual miners, not more than two (2) on a shift. This method of pay would put us in a much better position to get better miners and to get better work from those which we now have.

Very truly yours,

U.S. OIL & DEVELOPMENT CORPORATION

By John P. Ost
John P. Ost, Engineer

JPO:w

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

224 New Customhouse
Denver 2, Colorado

August 29, 1952

Memorandum

To: Acting Administrator, Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Amendment No. 1 - Contract I-DMA-E29 (Lead-Zinc), Docket No. DMA 606, U. S. Metals Corporation

Contract I-DMA-E29, as written, provides for repairs of a bulldozer. The bulldozer was to be used in leveling the area around the Henrietta No. 7 Tunnel, and for building the necessary roads. It was in the interests of the Government to delimit the amount of road building by the operator. Therefore Amendment No. 1 was prepared to include description of the allowable roads.

Exhibit D of the contract did not provide for a carpenter and a bulldozer operator. It was necessary to add these classifications because rehabilitating the tunnel required the construction of a small building to house the equipment, and it was necessary to hire a carpenter to do this work. A bulldozer operator was required to operate the bulldozer.

W. H. King

W. H. King

~~Enclosure~~

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

224 New Customhouse
Denver 2, Colorado

August 29, 1952

Memorandum

To: Acting Administrator, Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Amendment No. 1 - Contract I-DMA-429 (Lead-Zinc), Docket No. DMA 606, U. S. Metals Corporation

Contract I-DMA-429, as written, provides for repairs of a bulldozer. The bulldozer was to be used in leveling the area around the Henrietta No. 7 Tunnel, and for building the necessary roads. It was in the interests of the Government to delimit the amount of road building by the operator. Therefore Amendment No. 1 was prepared to include description of the allowable roads.

Exhibit D of the contract did not provide for a carpenter and a bulldozer operator. It was necessary to add these classifications because rehabilitating the tunnel required the construction of a small building to house the equipment, and it was necessary to hire a carpenter to do this work. A bulldozer operator was required to operate the bulldozer.

W. H. King

W. H. King

~~Enclosure~~

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

224 New Customhouse
Denver 2, Colorado

August 21, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Amendment No. 6 to Contract No. I-DMA-E29, Docket No. DMA 606 (Lead-Zinc), U. S. Metals Corporation

Enclosed are the original and two copies of Amendment No. 6 to Contract No. I-DMA-E29. Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

John F. Shea
for W. H. King

Enclosures

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
DENVER
AUG 25 1952

SLS 8-26-52

FILE COPY
SURNAME: 500

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

REWRITTEN: 8/13/52
previously surnamed: Keller
Kane
Hofflund
Bishop

Mr. W. H. King
Executive Officer, Region IV
DMEA Field Team
224 New Customhouse Building
Denver 2, Colorado

AUG 13 1952

Re: Docket No. DMA-606 (Lead-Zinc)
Contract No. I-DMA-E29
U. S. Metals Corporation
(Formerly U. S. Oil and Development Corporation)
San Juan County, Colorado

Dear Mr. King:

Pursuant to the request in your memorandum of July 16, 1952, to the Acting Administrator, to give prompt consideration to the amendment therein enclosed, we are returning with this letter six copies of the amendment, signed by the Government.

If you and the Operator are in agreement with the amendment as drawn up, kindly obtain his signature and distribute in the following manner: The original and two copies to this office, one copy to the Operator, one to the Regional Finance Office, and the other for your files.

Sincerely yours,

(signed) FRANK E. JOHNSON

Chairman, Operating Committee

Enclosures - 6

APPROVED:

P. H. Johnson

Member, Bureau of Mines

S. M. Lemmon

Member, Geological Survey

HFKeller/mb
August 13, 1952
cc to: Docket
Adm. Reading File
Operating Committee
Mr. Keller (2)
Mr. McKnight
Mr. Bishop
Chron

FILE COPY
500 SURNAME:

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

Mr. W. H. King
Executive Officer, Region IV
DMEA Field Team
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606 (Lead-Zinc)
Contract No. I-DMA-E29
U. S. Oil and Development Corporation
San Juan County, Colorado

Dear Mr. King:

Pursuant to the request in your memorandum of July 16, 1952, to the Acting Administrator, to give prompt consideration to the amendment therein enclosed, we are returning with this letter six copies of the amendment, signed by the Government.

If you and the Operator are in agreement with the amendment as drawn up, kindly obtain his signature and distribute in the following manner: The original and two copies to this office, one copy to the Operator, one to the Regional Finance Office, and the other for your files.

Sincerely yours,

(signed) FRANK E. JOHNSON

Chairman, Operating Committee

Enclosures - 6

APPROVED:

C. N. Johnson
Member, Bureau of Mines

G. M. Lemmon
Member, Geological Survey

HFKeller/mb
July 30, 1952
cc to: Docket
Adm. Reading File
Operating Committee
Mr. Keller (2)
Mr. Bishop
Mr. McKnight
Region IV
Chron

FILE COPY
SURNAME:

500

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

Chamberlin
Acker
Hoffman
Bishop

July 30, 1952

Memorandum

To: Acting Administrator

From: H. F. Keller, Acting Chief, Base Metals Division

Subject: Justification for Amendment No. 6 to Contract No. I-DMA-129, Docket No. DMA-606, U. S. Oil and Development Corp.

The Operator in a letter to Mr. J. H. East on April 24, 1952, submitted a supplemental request to amend the subject contract to provide funds for completing not only the work authorized in the contract but also 1,000 feet of additional work. The Field Team, in the report of Scott W. Hazen, dated June 18, 1952, recommended the approval of the amendment to provide the funds necessary to complete the revised exploration project. The following is a comparison of the projects and estimated costs of the original contract and amendments, with those of the proposed amendment:

	Estimated Costs	
	Original Contract and Amendments	Proposed Amendment
Access Road Construction	$ 0.00	$ 2,126.74
Power Line Extension	1,000.00	384.58
Building Construction & Maintenance	0.00	3,829.98
Repairs to H.D. Allis Chalmers Tractor	3,000.00	5,655.48
Rehabilitation of Henrietta No. 7 Tunnel	19,925.00	42,547.12
Rehabilitation of 580-foot Raise		5,800.00
Drifting (100 feet) - (700 feet)	3,500.00	24,500.00
Raising or Sinking 400 Feet		16.000.00
Equipment Purchases	13,225.00	12,794.44
*Supervision	2,500.00	
*Freight and Trucking	2,500.00	
*Electric Power	2,000.00	
Total	$47,650.00	$113,638.34

Increase in estimated cost $65,988.34

NOTE: Items marked * are included in the estimated cost of the other items of the proposed amendment.

Mr. W. H. King in his memorandum of June 26, 1952, to Mr. Mittendorf, concurs in the recommendations of the inspecting engineers and recommends prompt consideration.

Mr. E. T. McKnight in his memorandum of July 29, 1952, to H. F. Keller is of the opinion that the proposed additional work should be approved.

I recommend the approval of Amendment No. 6 to provide additional funds to the extent of $65,988.34. This additional financing is necessary because of the following reasons:

1. The rehabilitation of the Henrietta No. 7 Tunnel was much more costly than originally estimated and therefore the funds for the total project were expended before the objectives were reached.

2. The additional work proposed by the Operator and approved by the Field Team is exploratory in character and should result in a discovery.

Enclosed are the following reports and documents:

Supplemental Request of Operator, dated April 24, 1952, for an amendment to provide funds for completing the work authorized by the contract and for additional work proposed by the Operator.

Report by Scott W. Hazen, Jr., dated June 18, 1952, justifying the additional expenditures and recommending approval of the proposed work (with certain restrictions).

Memorandum by Wm. M. Travers, Jr., dated June 19, 1952, covering Mr. Hazen's report and recommending approval of the project.

Memorandum of E. T. McKnight of July 29, 1952.

Memorandum of W. H. King of June 26, 1952.

Six copies of Amendment No. 6 to Contract I-DMA-606.

Copy to: Docket
Admr. R. File
Oper. Com.
H.F.Keller (2)
Mr. Bishop
Mr. McKnight
Chron.

H. F. Keller, Acting Chief
Base Metals Division

Attachments

HFKeller/bjl (written 7/30/52)

UNITED STATES 500
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

July 30, 1952

Memorandum

To: Acting Administrator

From: H. F. Keller, Acting Chief, Base Metals Division

Subject: Justification for Amendment No. 6 to Contract No. I-DMA-E29, Docket No. DMA-606, U. S. Oil and Development Corp.

The Operator in a letter to Mr. J. H. East on April 24, 1952, submitted a supplemental request to amend the subject contract to provide funds for completing not only the work authorized in the contract but also 1,000 feet of additional work. The Field Team, in the report of Scott W. Hazen, dated June 18, 1952, recommended the approval of the amendment to provide the funds necessary to complete the revised exploration project. The following is a comparison of the projects and estimated costs of the original contract and amendments, with those of the proposed amendment:

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Rehabilitation of Henrietta No. 7 Tunnel	19,925.00	42,547.12
Rehabilitation of 580-foot Raise		5,800.00
Drifting (100 feet) - (700 feet)	3,500.00	24,500.00
Raising or Sinking 400 Feet		16,000.00
Equipment Purchases	13,225.00	12,794.44
*Supervision	2,500.00	
*Freight and Trucking	2,500.00	
*Electric Power	2,000.00	
Total	$47,650.00	$113,638.34

Increase in estimated cost $65,988.34

NOTE: Items marked * are included in the estimated cost of the other items of the proposed amendment.

Mr. W. H. King in his memorandum of June 26, 1952, to Mr. Mittendorf, concurs in the recommendations of the inspecting engineers and recommends prompt consideration.

Mr. E. T. McKnight in his memorandum of July 29, 1952, to H. F. Keller is of the opinion that the proposed additional work should be approved.

I recommend the approval of Amendment No. 6 to provide additional funds to the extent of $65,988.34. This additional financing is necessary because of the following reasons:

1. The rehabilitation of the Henrietta No. 7 Tunnel was much more costly than originally estimated and therefore the funds for the total project were expended before the objectives were reached.

2. The additional work proposed by the Operator and approved by the Field Team is exploratory in character and should result in a discovery.

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Memorandum by Wm. M. Travers, Jr., dated June 19, 1952, covering Mr. Hazen's report and recommending approval of the project.

Memorandum of E. T. McKnight of July 29, 1952.

Memorandum of W. H. King of June 26, 1952.

Six copies of Amendment No. 6 to Contract I-DMA-606.

H. F. Keller, Acting Chief
Base Metals Division

Attachments

UNITED STATES 500
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

July 30, 1952

Memorandum

To: Acting Administrator

From: H. F. Keller, Acting Chief, Base Metals Division

Subject: Justification for Amendment No. 6 to Contract No. I-DMA-E29, Docket No. DMA-606, U. S. Oil and Development Corp.

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Memorandum of E. T. McKnight of July 29, 1952.

Memorandum of W. H. King of June 26, 1952.

Six copies of Amendment No. 6 to Contract I-DMA-606.

H. F. Keller, Acting Chief
Base Metals Division

Attachments

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

July 29, 1952

Memorandum

Re: DMA-606
Henrietta Mine
San Juan County, Colorado

To: Mr. H. F. Keller

From: E. T. McKnight

Subject: Supplemental request for amendment of contract.

This is not a normal amendment but a request for more funds to complete the work proposed under the original contract, and for additional work. The high cost over what had originally been estimated can be largely attributed to the fact that the first 500 feet of the tunnel was completely caved so that it required heavy timbering and spiling to reopen it. This, in addition to being directly more costly, delayed the work into the winter, so that buildings not originally contemplated were necessary. Access roads had to be constructed to areas to acquire the additional timber that was needed.

Inasmuch as little of the original objectives has been reached, the geologic justification remains as originally given in my memorandum of June 15, 1951 (with Apell of the Bureau of Mines). The overall project is not as attractive as it then was because the total costs have proven to be higher for the same geologic probability. The proposed new work amounts to $37,000, whereas to finish the original contract will cost about $29,000 more than the $47,650 originally set up for the job.

Description of the Surprise vein ore given in memo of June 18, 1952, by Scott W. Hazen, Jr., of Bureau of Mines, is typical of mineral occurrence in this area. The pods of (lead) ore exposed in the short stretch of drift that has been rehabilitated are probably too scattered to be economic, but further exploration on the vein could possibly reveal one of the chimneys which are the targets for exploration in this area. Occurrence of the pods of ore show that the ground has been traversed by ore bearing solutions. W. S. Burbank, who is familiar with the ore deposits of the area, has read Hazen's description and is of the opinion that these pods are not fault fragments but represent primary deposition in their present form.

The drifting on the Surprise and Henrietta veins might well have been included in the original application. If applicant now wants to do this drifting, I believe it should be approved. The 400 feet of raising, divided between the two veins, would also be justified under

the stipulations set forth in the Hazen memorandum, i. e., the raising should be contingent on what the drifting shows, and subject to the field team's approval.

As much of the expense to date has been on preparatory work, such as reopening the tunnel, access roads, and all-weather buildings, the additional funds requested are more directly applicable to constructive exploration. There is a chance that further exploration could lead to a discovery, whereas shutting down the project when present funds are exhausted would write off completely the unproductive but necessary preliminary expenditures made to date.

Of the total amount requested that is still to be spent, $7,476 is for rehabilitating the tunnel to the intersection with the Henrietta vein. If the new drifting on Surprise and Henrietta veins is approved, the same junction with the old drift on the Henrietta will be reached. Rehabilitation of the old tunnel to this point will be of value only insofar as it will open up two more working faces. Whether this will be worth while will depend upon engineering considerations on which I have no opinion. If there is a chance that cost of the rehabilitation has been underestimated, more serious consideration might be given to this question.

Edwin T. McKnight

Edwin T. McKnight
Geologist

Concurred: O M Bishop

No. SC 1

STATE OF COLORADO

OFFICE OF THE SECRETARY OF STATE

UNITED STATES OF AMERICA,
STATE OF COLORADO. } ss.

CERTIFICATE.

I, George J. Baker, Secretary of State, of the State of Colorado, do hereby certify that the annexed is a full, true and complete copy of Amendment to Articles of Incorporation of U. S. OIL & DEVELOPMENT CORPORATION changing name to

U. S. METALS CORPORATION

filed in this office on the TWENTY-EIGHTH day of MAY, A.D. 1952, at 3:30 o'clock p. m., and admitted to record.....

..... IN TESTIMONY WHEREOF I have hereunto set my hand and affixed the Great Seal of the State of Colorado, at the City of Denver, this ---SEVENTEENTH-- day of -----JULY----- A. D. 1952

Geo. J. Baker
SECRETARY OF STATE.

BY John W. Graham Jr.
DEPUTY.

C. F. HOECKEL CO., DENVER.

AMENDMENT TO ARTICLES OF INCORPORATION
of
U. S. OIL & DEVELOPMENT CORPORATION

KNOW ALL MEN BY THESE PRESENTS that a special meeting of the stockholders of U. S. Oil & Development Corporation was held pursuant to call of the President of the company, and in compliance with the applicable statutes of the State of Colorado, at the principal office and place of business of said corporation in Denver, Colorado, on April 22, 1952, for the purpose of amending its Articles of Incorporation.

At such meeting, more than two-thirds of the stockholders of the company were present in person or by proxy.

On motion duly made, seconded and unanimously carried, it was:

RESOLVED, that Article I of the Articles of Incorporation be and the same hereby is amended to read as follows:

"ARTICLE I.

"The corporate name and style of our said corporation shall be U. S. OIL & GAS CORPORATION."

It was further resolved that such amendment be forthwith executed on behalf of the corporation by its proper officers and filed with the Secretary of State of the State of Colorado.

IN WITNESS WHEREOF, the above and foregoing amendment is made and executed by the President and Secretary of U. S. Oil & Development Corporation, on behalf of the said corporation, and its corporate seal hereunto affixed, at Denver, Colorado, this 25th day of April, A. D. 1952.

U. S. OIL & DEVELOPMENT CORPORATION

By Robert C. Brown
President

ATTEST:
Earl Peterson
Secretary

121887

Certificate of Amendment

Certificate of Incorporation

of U. S. OIL AND DEVELOPMENT CORPORATION

RECORDED

BOOK 619 PAGE 33

U. S. METALS CORPORATION

28th May

52 3:30 P.

This document has been inspected and properly entered on the Records of the State Tax Department.

OK

Date June 2, 1952

Clerk

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

INTERIOR
SECRETARY'S
MAIL CENTER
JUL 24 1952
RECEIVED

224 New Customhouse
Denver 2, Colorado

July 21, 1952

Memorandum

To: Secretary to the Operating Committee
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Change of Name U. S. Oil & Development Corporation to U. S. Metals Corporation, DMA Docket 606, Contract Number Idm-E29

Enclosed are three (3) copies of Certification of Change of Name from the U. S. Oil & Development Company to U. S. Metals Corporation to be attached to your copies of Contract Number Idm-E29.

W. H. King
W. H. King

Enclosure

JUL 24 1952

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 21 1952

224 New Customhouse
Denver 2, Colorado

July 17, 1952

Memorandum

To: Frank E. Johnson, Chairman Operating Committee, Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: DMA Docket 606, (Lead-Zinc-Copper) Contract I-DMA-E29, U. S. Oil and Development Corporation, Henrietta Mine, San Juna County, Colorado

Reference is made to our memorandum of July 16, 1952, which was in reply to your letter of July 10, 1952, pertaining to a request from the subject Operator for an amendment to his contract to authorize additional work and funds.

We find it necessary to correct a statement in the first paragraph of our memorandum. Work was resumed during the latter part of April , 1952, and Form MF-104 Report was submitted by the Operator for work accomplished during April and May, 1952. Processing of the report for reimbursement to the Operator was withheld, pending a decision on the request for additional funds.

The unexpended balance of approved funds was insufficient to cover the reimbursement and retain a sufficient reserve to protect the Governments equity in equipment and unexpended supplies. The MF-104 Report covering work during April and May was not received in time to be included in the original Analysis and Report by Hazen on the request for the additional funds. Work completed during April and May, 1952 consisted of rehabilitation of an additional 800 feet of the Henrietta No. 7 Tunnel at a total cost of $7,439.60.

W. H. King

W. H. King

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
JUL 18 1952

224 New Customhouse
Denver 2, Colorado

Air Mail

July 16, 1952

Memorandum

To: Frank E. Johnson, Chairman, Operating Committee, Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMA Docket No. 606 (Lead-Zinc-Copper) Contract I-DMA-E29, U. S. Oil and Development Corp., Henrietta Mine, San Juan County, Colorado

Reference is made to your letter of July 10, 1952, pertaining to a request from the Operator for an amendment to the contract to authorize additional work and funds, which was transmitted by our memorandum of June 26, 1952. Reply to your letter is made in paragraph order.

A complete report of work accomplished and a breakdown of costs incurred to January 1, 1952, is included in Hazen's Memorandum Report dated June 18, 1952, which was transmitted as item "2" on our memorandum of July 26, 1952. Work on the project was recessed late in December, 1951 because of winter weather conditions common to the altitude of the project. Work was resumed during June, 1952, therefore no MF-104 Reports were necessary for the interim between January and June, 1952. The June, 1952 Report was received in this office, but was returned to the Operator for necessary corrections before it could be processed for payment.

Repairs to the Allis-Chalmers tractor are authorized under EXHIBIT "E" attached to the contract and funds were allocated in the amount of $3,000.00. The complete cost of repairs of $5,565.45 includes parts, labor, and supervision. The latter prorated to the repairs on the basis of man-shifts of labor expended, which is a normal proceedure. Relative to exceeding the funds allocated, we have interpreted the component estimated amounts within the total estimated cost of the project on the same basis as is verified by "Memorandum No. 8", answer to "Question 1." Estimating repairs of this nature is a guess and is so recognized by construction and mining operators.

We are at a loss as to interpretation of the third paragraph of your letter, since the intent of this amendment is to increase the funds above the original estimated cost of the Project, and to provide continuous operation on the project. Delay at this time of the year will seriously affect the extent of accomplishments for the present working season.

A breakdown of costs to date and amounts required for completion of Items 1 to 10 inclusive is given on the second and third pages from the end of Hazen's Memorandum Report.

The original contract was prepared in Washington without the benefit of a field investigation. We wish to stress the importance of your prompt consideration of the amendment to avoid the extra expense involved in cessation and subsequent resumption of work if the project is stopped for lack of funds.

W. H. King

W. H. King

FILE COPY
SURNAME: 500

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

JUL 10 1952

Mr. W. H. King
Executive Officer, Region IV
DMEA Field Team
224 New Customhouse Building
Denver 2, Colorado

Re: DMA Docket No. 606 (~~Lead-Zinc-Copper~~)
Contract I-DMA-E29
U. S. Oil and Development Corp.
Henrietta Mine, San Juan County
Colorado

Dear Mr. King:

We have at hand your memorandum of June 26, 1952, and the enclosures pertaining to a request from the Operator for an amendment to the contract to authorize additional work and funds.

Before approving the amendment, we wish to obtain a final report by the field team of the work accomplished under the subject contract and also any additional work that the company has done since January. We have received no Monthly Progress Reports (MF-104) since receiving the January report, and no final report from the field team.

We believe that expenditures to date have been out of line with the amount of work accomplished. Such an expenditure as $5,565.48 for repairs for the tractor bulldozer certainly does not seem proportionate to the amount of road building and maintenance that was proposed in the original contract and amendments.

Any amendment now made to provide funds for additional work, cannot be considered as a source of funds to reimburse the operator for expenditures in excess of the original estimated cost of the project which was $47,650.00.

We would appreciate it if you could give us a break-down of items 1 to 8, inclusive, in the "Estimate of Project Costs", showing the amounts expended to date for each item and the corresponding amount required to complete the project presented in the proposed amendment.

Sincerely yours,
(signed) FRANK E. JOHNSON
Chairman, Operating Committee

HFKeller/mb
7/3/52
cc to: Oper. Comm.
Adm. R. File
Docket
Mr. Keller
Mr. Bishop
Mr. McKnight
Region IV

APPROVED:
J. H. Hedges
Member, Bureau of Mines

T. P. Thayer
Member, Geological Survey

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

224 New Customhouse
Denver 2, Colorado

June 26, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 30 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: DMEA Field Team, Region IV

Subject: DMA Docket 606, Contract I-DMA-E29, (~~Lead-Zinc~~-Copper), U. S. Oil & Development Corporation, San Juan County, Colorado - Request for approval of additional work and additional funds.

Enclosed are the following data pertaining to a request from the U. S. Oil & Development Corporation for an amendment to Contract I-DMA-E29 to authorize additional work and additional funds:

1 - Operator's request in quadruplicate.

2 - Memorandum report, in quadruplicate, from Inspecting Engineer of the Bureau of Mines in which he analyzes project costs to date, and makes an estimate of costs to complete the project on the basis of his recommendations.

3 - A proposed Amendment, in sextuplicate with attached maps, which has been prepared by this office for your consideration.

Inasmuch as the original application was processed without a Geologic field examination, we are not submitting a Geologic report pertaining to the additional work.

We concur in the recommendations of the inspecting Engineer and recommend that the additional work be approved and that additional funds in the amount of $65,988.34 be allocated on the basis that the probability of making a significant discovery appear good, and that the additional funds are needed in part to reach the original objective.

Prompt consideration of the matter is of considerable importance to the operator as the working season at that altitude is very short.

W. H. King
W. H. King

SDS 6-30-52

A. H. Koschmann
A. H. Koschmann

Enclosures

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Mining Division
Date Rec'd.
JUN 30 1952
BUREAU OF MINES
Denver, Colorado

Building 20
Denver Federal Center
Denver 14, Colorado
June 19, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 30 1952

Memorandum

To: Acting Chief, Mining Division, Region IV

From: Chief, Colorado Branch, Mining Division, Region IV

Subject: DMA 606, Contract I-DMA-E29, (Lead-zinc) U. S. Oil and Development Corporation (Henrietta mine), San Juan County, Colorado - Request for amendment to provide additional funds and extend time for a supplemental exploration program

Please find enclosed the original and five copies of Scott W. Hasen, Jr.'s revised memorandum report recommending an amendment to the subject contract to provide funds for additional work.

Hasen makes several stipulations in his recommendations regarding the work to be done, and my approval is given only with the understanding that it will be carried out in accordance with his recommendations.

Costs have been estimated in accordance with the instructions in your memorandum of June 3, 1952. Additional funds required will amount to $65,988.34, bringing the total project costs to $113,638.34. Processing the request should be expedited as much as possible.

The items 1, 3, 4, and 5 mentioned in your memorandum are returned herewith.

W. M. Traver, Jr.

W. M. Traver, Jr.

enclosures

WMT/dd

cc 5
E29
DMEA Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20
Denver Federal Center
Denver 14, Colorado

June 18, 1958

Memorandum

To: Chief, Colorado Branch, Mining Division, Region IV

From: Scott W. Hazen, Jr.

Subject: DMA 606, Contract I-DMA-829, U. S. Oil and Development Corporation, Henrietta mine (lead-zinc), San Juan County, Colorado - Request for supplemental funds

The operator has requested supplemental funds to complete rehabilitation of the Henrietta No. 7 tunnel and raise and to perform additional work consisting of:

(1) Drift approximately 400 feet southeasterly on the Surprise vein toward an intersection with the Henrietta vein.

(2) Drive two 100-foot raises on the Surprise vein.

(3) Drift approximately 200 feet northeasterly on the Henrietta vein toward an intersection with the projection of the Surprise vein.

(4) Drive two 100-foot raises on the Henrietta vein.

The U. S. Oil and Development Corporation applied originally (DMA 606) for exploration funds to rehabilitate approximately 1,600 feet of the Henrietta No. 7 tunnel and to rehabilitate a raise from this tunnel to surface. In addition, they requested funds to do 100 feet of exploratory drifting on the Surprise vein which is cut by the Henrietta tunnel. The estimates of the funds required for the work were based on many unknown factors. The work was approved and contract I-DMA-829 for $47,650.00 signed.

As the work progressed, it was found that nearly all of the first 500 feet of the No. 7 tunnel was completely caved and it required heavy timbering and spiling to reopen the tunnel. Progress was slow and, consequently, costs were greater than anticipated. The slow progress caused the work to extend into winter months, requiring the erection of

snowsheds, compressor house, fan shed, and change room. Local timber supplies were inadequate and timber had to be cut and framed from standing trees on the property and this involved excess road construction. These conditions, as encountered, were covered by amendments to the contract.

Severe winter weather and exceptionally heavy snows prevented access to the mine after December 26, 1951.

The following is a summary of costs incurred on the project from its beginning until January 31, 1952.

DISTRIBUTION OF COSTS, JULY 1951 THROUGH JANUARY 1952

Tunnel Rehabilitation - 1,600 feet

	July	August	September	October	November	December	January	Total
Wages	$ 778.70	$1,279.11	$1,620.00	$1,712.00	$1,671.00	$1,062.62	$ -	$ 8,123.43
Contract labor	-	-	-	-	-	280.00	-	280.00
Supervision	252.86	400.00	409.98	250.00	500.00	500.00	-	2,312.84
Supplies	4,759.86	1,451.42	921.24	349.44	435.85	7.90	39.02	7,964.73
Small tools	331.82	202.13	189.14	32.51	7.00	-	17.84	780.54
Transportation	405.51	1,411.77	63.28	160.28	165.59	-	63.75	2,270.18
Compensation	-	62.00	130.00	148.00	123.00	145.80	109.00	717.00
Power	-	-	45.13	32.69	32.69	43.12	42.12	195.75
Unemployment compensation	-	-	-	-	-	-	427.85	427.85
Totals	$6,528.15	$4,806.43	$3,378.77	$2,684.92	$2,935.13	$2,038.64	$699.08	$23,071.12

377 feet completed; average cost per foot - $39.98

Equipment Purchase

	July	August	September	October	November	December	January	Total
Equipment purchase	$5,340.94	-	$ 334.20	-	$ 219.30	$ 100.80	Minus $100.00	$ 5,894.44

Equipment purchase about 45 percent completed

Tractor Repair

	July	August	September	October	November	December	January	Total
Repair parts	$1,236.54	$1,075.99	$ 228.98	$1,165.09	$ 67.77	$278.54	$111.09	$4,164.00
Labor	400.00	304.00	-	$296.10	312.00	179.38	-	1,491.48
Totals	$1,636.54	$1,379.99	$ 228.98	$1,461.19	$379.77	$457.92	$111.09	$5,655.48

Tractor repair completed

Building Construction and Maintenance, Four Units

	July	August	September	October	November	December	January	Total
Wages	$ 391.00	$ 455.19	$ 278.00	$ 562.00	$238.00	-	-	$1,924.19
Supervision	100.00	100.00	90.02	-	-	-	-	290.02
Material	-	183.22	23.32	161.65	390.46	$297.14	$159.98	1,215.77
Totals	$ 491.00	$ 738.41	$ 391.34	$ 723.65	$628.46	$297.14	$159.98	$3,429.98

Building construction and maintenance about 90 percent completed

Power Line

	July	August	September	October	November	December	January	Total
Wages	-	-	-	$ 280.90	-	-	-	$ 280.90
Material	-	-	-	103.68	-	-	-	103.68
Totals	-	-	-	$ 384.58	-	-	-	$ 384.58

Power line completed

Access Roads, Construction and Maintenance

	July	August	September	October	November	December	January	Total
Wages	$ 320.00	-	$ 18.00	$ 344.00	$ 485.00	$ 412.00	-	$ 1,579.00
Supervision	47.74	-	-	-	-	-	-	47.74
Totals	$ 367.74	-	$ 18.00	$ 344.00	$ 485.00	$ 412.00	-	$ 1,626.74

Access roads construction and maintenance about 75 percent completed

	July	August	September	October	November	December	January	Total
Sum totals	$14,564.37	$6,924.83	$4,151.89	$5,598.34	$4,647.66	$3,305.70	$ 870.15	$40,062.34

Summary of Costs

Tunnel rehabilitation (577 feet completed, 1,023 uncompleted)	$23,071.12
Raise rehabilitation (no work done)	-
Equipment purchase (partially completed)	5,894.44
100 feet drifting on Surprise vein (not started)	-
Tractor repair (completed)	5,655.48
Building construction and maintenance (partially completed)	3,429.98
Power line installation (completed)	384.58
Access roads construction and maintenance (partially completed)	1,626.74
Total expended through January 1952	$40,062.34

Total original contract	$47,650.00
Amount spent as of January 31, 1952	40,062.34
Funds remaining in contract amount	$ 7,587.66

EMA 606, EMG

Rehabilitation of the Henrietta No. 7 tunnel should be continued in order to reach the original objective of the contract. The work may be performed under a labor contract allowing a sliding pay scale per foot of progress with a maximum of $10.00 per foot paid for the most difficult portion. The assignment of pay scale rate per foot is, of necessity, up to the operator's mine superintendent, Joe Trudgeon. He has had thirty years of mining and supervisory experience on contract mining operations and is well qualified to judge the amount to be paid. The lowest scale commensurate with the work will be used. The amount of money necessary to complete the work is, again, an estimate but is as accurate as can be expected.

Rehabilitation of the raise should be accomplished insofar as it is necessary to provide adequate ventilation, for gas is frequently encountered in the mine.

It is expected that the cost for rehabilitation of the remaining 1,083 feet of the No. 7 tunnel will vary from $12.00 per foot to $30.00 per foot. The cost of $39.98 per foot for the first 577 feet is considerably high as the tunnel is now in solid rock and will not require as much spiling and timbering. The first 683 feet is estimated at $12.00 per foot and the remaining 400 feet on the Henrietta vein is estimated to cost $30.00 per foot as it will require timbering.

The raise rehabilitation will be only the amount necessary to obtain ventilation and is estimated to cost $10.00 per foot for the 580 feet.

The additional work requested is probably justifiable but must be individually appraised as the work progresses and stopped if conditions found fail to prove sufficient justification to continue. The operator has agreed to this in his request for the additional funds.

Item 1. The Surprise "vein" contains large fragments of ore which resemble rounded drag ore. They are found at random intervals in one portion of a wide northwest-trending fracture zone. They do not occur as a vein in the usual sense as the mineralization is not continuous and the fragments are apparently not interconnected. They are roughly oriented in a band about 10 feet wide near one side of the fracture zone. These pods of ore vary in size from 2 to 6 feet and are elliptical in shape. If they are drag ore, they indicate considerable movement and grinding. They may be a result of selective replacement, but the rock between the pods of ore is not mineralized except for disseminated pyrite which is common in the area. The ore exposed by the small amount of drifting on the Surprise "vein" is reported to be similar to exposures found in the vicinity of the top of the chimney deposits which are found in this area. The "vein" ore can probably be selectively mined and sorted to make an economic grade but it will be costly. More drifting on the ore is justifiable, but it must be examined at intervals to be sure that the exposures of ore justify continuation of the drift to the projected intersection with the Henrietta vein. There is a possibility of finding a chimney deposit in the vicinity. These chimneys are small in area but usually contain very high-grade lead-silver ore.

DMA 606, X29

Item 2 of the operator's request has included two 100-foot raises on the Surprise vein if the drifting indicates they are justified. These raises should be considered as optional and approved only if the Defense Minerals Exploration Administration Region IV Field Team considers them justifiable from drifting results and if they are recommended by Colorado Branch inspectors. It will be advisable to include a 100-foot winze as an optional substitute for the raises if the possibility of a chimney is indicated below the tunnel level.

Item 3 of the operator's request includes drifting northeasterly about 200 feet on the Henrietta vein toward the projected intersection with the Surprise vein. This is a logical exploration objective and especially so if the ore on the Surprise vein continues to the intersection. The Henrietta vein is reportedly well mineralized and has produced a considerable tonnage of ore which had high copper values.

Item 4 of the request lists two 100-foot raises to be driven on the Henrietta vein. These should be considered as optional and approved only if the Defense Minerals Exploration Administration Region IV Field Team considers them justifiable from the drifting results and if they are recommended by Colorado Branch inspectors. Again, the substitution of a 100-foot winze for the raises should be an optional condition.

THE EXPLORATION PROJECT

(1) Construction and maintenance of an access road from the Lark mine road to the top of the dump of the Henrietta No. 7 tunnel and access roads in the vicinity of the tunnel to obtain timber from the mining claims. This work is limited in extent to that approved by a Defense Minerals Exploration Administration representative.

(2) Extend the power transmission line from the main line near the Lark mine to the Henrietta No. 7 tunnel portal, approximately 1,000 feet.

(3) Construct and maintain snowshed, compressor house, change room, and fan house at the Henrietta No. 7 tunnel portal.

(4) Repair K-B Allis-Chalmers tractor-bulldozer, cost to include labor and parts.

(5) Rehabilitate approximately 1,600 feet of the Henrietta No. 7 tunnel.

(6) Rehabilitate a 380-foot raise. The raise will be rehabilitated only to the extent necessary to provide air passage for ventilation.

(7) Drift 100 feet on the Surprise vein.

(8) Drift approximately 400 feet southeasterly on the Surprise vein toward an intersection with the Henrietta vein. The drifting is to be terminated at any time the indications of ore or structure are insufficient to justify continuation of the work. Direction and extent of the drifting are subject to approval by a Defense Minerals Exploration Administration representative.

(9) Drift approximately 200 feet northeasterly on the Henrietta vein toward the projected intersection with the Surprise vein. The drifting is to be terminated at any time the indications of ore or structure are insufficient to justify continuation of the work. Direction and extent of drifting are subject to approval by a Defense Minerals Exploration Administration representative.

(10) Raising or sinking on the Henrietta vein and raising or sinking on the Surprise vein, not to exceed a total maximum of 400 feet of raising or 200 feet of sinking or to the extent of funds allocated or remaining for such work. Raising or sinking on the Henrietta and/or Surprise veins will be allowed only if the Defense Minerals Exploration Administration Region IV Field Team gives prior approval of the work, with the location of the raises or winzes and their extent to be recommended by Colorado Branch inspectors. The location of the raises or winzes will be contingent on conditions encountered in drifting described in 8 and 9.

COST OF EXPLORATION

Fixtures and Improvements

	Amount expended to January 31, 1952	Amount estimated to complete	Total
1. Construction and maintenance of access roads			
Labor, supervision, supplies, and other	$1,626.74	$500.00	$2,126.74
2. Power transmission line			
Labor, supervision, supplies, and other	384.58	none	384.58
3. Building construction and maintenance			
Snowshed, change room, compressor shed, and fan shed	3,429.98	400.00	3,829.98
	$5,441.30	$900.00	$6,341.30

DMA 606; E29

Operating Equipment

(a) Purchased

Purchased under contract I-DMA-E29 prior to January 31, 1952

1 Compressor, Chicago-Pneumatic, 315 c.f.m., model 315, class P042, diesel-driven, D8800 Caterpillar engine, skid-mounted, including fuel tank and air receiver - used		
1 Air receiver, 42-inch by 10-foot air receiver, complete with fittings - used Included with compressor. Cost, both items	$3,500.00	
1 Power saw, electric, 24-inch mall, model 1-E-10 - used	138.72	
1 Tramaire, Universal, special model E-3684-18, serial no. 347 - new	1,779.90	
1 Rail bender, aluminum, No.30-B - new	90.20	
1 Welder, Marquette, No. GW-3005 - new	142.49	
1 Electric drill, No. 1-490A-G - new	46.25	
1 Socket wrench set and sockets, Crestoloy - new	61.88	
1 Wheelbarrow, rubber tire - new	35.00	
1 Electric motor, 10 horsepower - used	100.00	$5,894.44

Equipment to be purchased in addition to the above list

1 Water pump	$ 800.00	
10 1-ton mine cars, $100.00 each	1,000.00	
2 Jackhammers with pusher legs, $500.00 each	1,000.00	
2 Ventilation fans, $625.00 each	1,250.00	
1 Drill steel sharpener	190.00	
600 feet 12-inch vent pipe at $1.40 per foot	840.00	
800 feet 10-inch vent pipe at $1.20 per foot	960.00	
700 feet 8-inch vent pipe at $1.00 per foot	700.00	
1 Hoist, air-driven, 1,200 feet cable capacity, for raise rehabilitation and raising or sinking	760.00	$6,900.00
Total equipment purchase		$12,794.44

(b) Rented

none

DMA 606, RP9

(c) Furnished by Operator

2 Mucking machines, Gardner-Denver No. 9
1 Scaife water tank
1 Chicago-Pneumatic 60H drifter
1 Double screw column, 3-1/2 inches by 6 feet, complete
1 Barko model S-29, exhaust-blower type driller
1 3/4-ton YY and T Pul-Lift
1 Buff and Buff mine transit, model 3
1 Chicago-Pneumatic jackhammer, 7/8 inch chuck and carriage
1 Power saw, gasoline-driven
1 Drifter, Gardner-Denver, No. 79
1 Stoper, Gardner-Denver
1 Willys Overland Jeep, 4-wheel drive, pickup truck
1 Dodge Command car, 4-wheel drive
1 Willys Overland Jeep, 4-wheel drive, station wagon
1 Allis-Chalmers H-D tractor-bulldozer

The above listed equipment, except as noted for the tractor-bulldozer under equipment repair, will be furnished by the operator free of charge for the Defense Minerals Exploration Administration project work, except for necessary and reasonable repairs caused by ordinary wear and tear and for operating expenses. In the event any of this equipment is used on work other than the Defense Minerals Exploration Administration project, the repair and operating expenses shall be prorated on a basis which will provide an equitable distribution of the costs.

Equipment Repair

The cost of labor and repair parts necessary to repair the operator's Allis-Chalmers H-D tractor-bulldozer is allowed to the extent of $5,635.48.

Rehabilitation of Henrietta No. 7 Tunnel
(577 feet completed: 1,023 feet to be completed)

	Amount expended to January 31, 1952	Amount estimated to complete	Total
Wages	$8,123.43	$4,000.00	$12,123.43
Contract labor	280.00	3,000.00	3,280.00
Supervision	2,312.24	2,000.00	4,312.24
Supplies	7,964.73	5,000.00	12,964.73
Small tools	780.54	750.00	1,530.54
Transportation	2,270.18	1,000.00	3,270.18
Compensation	717.00	750.00	1,467.00
Power	195.75	500.00	695.75
Unemployment compensation	427.85	476.00	903.85
	$23,071.12	$19,476.00	$42,547.12

Rehabilitation of 500-foot Raise
(none completed)

	Amount estimated to complete
Wages	$1,200.00
Contract labor	2,000.00
Supervision	700.00
Supplies	1,000.00
Small tools	250.00
Transportation	250.00
Compensation	250.00
Power	100.00
Unemployment compensation	50.00
	$5,800.00

700 feet of Drifting
(none completed)

(a) 100 feet on Surprise vein
(b) 400 feet on Surprise vein
(c) 200 feet on Henrietta vein

	Estimated cost per foot	Amount estimated to complete
Wages and contract labor	$20.00	$ 1,400.00
Supervision	5.00	3,500.00
Supplies	8.00	5,600.00
Transportation	1.00	700.00
Power	.50	350.00
Compensation, etc.	.50	350.00
	$35.00	$24,500.00

400 feet of Raising or 200 feet of Sinking
(none completed)

	Estimated cost per foot		Amount estimated to complete	
	Raising	Sinking	Raising 400 feet	Sinking 200 feet
Wages and contract labor	$23.00	$46.00	$ 9,200.00	$ 9,200.00
Supervision	5.00	10.00	2,000.00	2,000.00
Supplies	10.00	20.00	4,000.00	4,000.00
Transportation	1.00	2.00	400.00	400.00
Power	.50	1.00	200.00	200.00
Compensation, etc.	.50	1.00	200.00	200.00
	$40.00	$80.00	$16,000.00	$16,000.00

Supplies, Materials, Small Tools, Transportation and Other Items

These items have been included under cost per foot for rehabilitation, drifting, raising, and sinking. They include the following:

> Rail and track supplies, pipe, timber, explosives, oil, gasoline, fuel, power line supplies, equipment repair parts, building material and supplies, transportation such as freight and haulage, small tools, and other materials and supplies necessary to the completion of the project work.

Labor and Supervision

The following classes of labor are expected to be used on the project work. The wage rates given are those prevailing in the district for base rates for a 40-hour week with time and one-half allowed for overtime.

Class	Maximum Base Rate of Pay
Miner	$1.75 per hour
Mucker	$1.50 per hour
Trammer	$1.50 per hour
Laborer	$1.50 per hour
Carpenter (1 allowed)	$1.75 per hour
Bulldozer operator	$2.00 per hour
Mechanic (1 allowed)	$400.00 per month maximum charge
Superintendent	$500.00 per month maximum charge

The labor involved in rehabilitating the Henrietta No. 7 tunnel may be paid on the basis of units of work performed in lieu of the base hourly rate of pay. The crew in the heading may be paid on a sliding scale commensurate with the difficulty of the work performed. The rate of pay is to be determined by the operator's superintendent. The rate paid is not to exceed a maximum of $10.00 per foot of completed advance, including track and air and water line installation.

Crews engaged in advancing drift and raise headings may be paid on the basis of units of work performed, at a rate not to exceed $15.00 per foot of advance.

Crews engaged in sinking winzes may be paid on the basis of units of work performed, at a rate not to exceed $40.00 per foot of advance.

PERIOD OF COMPLETION OF THE PROJECT

A period of 2 years is considered as necessary to complete the project from the original starting date.

ESTIMATE OF PROJECT COSTS

	Amount expended to January 31, 1939	Amount estimated to complete	Total
1. Access road construction (nearly completed)	$ 1,626.74	$ 500.00	$ 2,126.74
2. Power transmission line (completed)	384.58		384.58
3. Building construction, 4 units (nearly completed)	3,429.98	400.00	3,829.98
4. Repair tractor-bulldozer (completed)	5,655.48		5,655.48
5. Rehabilitate Henrietta No. 7 tunnel (577 feet completed; 1,023 feet uncompleted) Estimate 623 feet at $12.00 per foot - $7,476.00; estimate 400 feet at $30.00 per foot - $12,000.00.	23,071.12	19,476.00	42,547.12

	Amount expended to January 31, 1952	Amount estimated to complete	Total
6. Rehabilitate 580-foot raise, (not started) Estimated at $10.00 per foot	$	$ 5,800.00	$ 5,800.00
7. Drift 100 feet on Surprise vein (not started) Estimated at $35.00 per foot		3,500.00	3,500.00
8. Drift approximately 400 feet on Surprise vein (not started) Estimated at $35.00 per foot		14,000.00	14,000.00
9. Drift approximately 200 feet on Henrietta vein (not started) Estimated at $35.00 per foot		7,000.00	7,000.00
10. Raising and/or sinking 400 feet (not started) Estimated at $40.00 per foot for raising 400 feet, or $40.00 per foot for sinking 200 feet		16,000.00	16,000.00
Equipment purchase (partly completed)	5,894.44	6,900.00	12,794.44
	$40,062.34	$73,576.00	$113,638.34

Amount of original loan, contract I-DMA-E29	$47,650.00
Amount spent as of January 31, 1952	40,062.34
Amount remaining in contract funds	$ 7,587.66
Amount estimated to complete original project plus any new work requested	$73,576.00
Less amount unexpended	7,587.66
Additional funds required	$65,988.34
Government participation, 50 percent	$32,994.17

DMA 606, E29

Additional funds required	$ 65,988.34
Amount spent on project to January 31, 1952	40,062.34
Amount unexpended	7,587.66
Total cost of project	$113,638.34
Total Government participation, 50 percent	$ 56,819.17

for W. W. Craver, Jr.

Scott W. Mason, Jr.
Mining Engineer

SWM/bam

cc: 8
E29

110

FILE COPY
SURNAME:

Mafe
Hoffland

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

Mr. J. H. East, Jr.,
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

MAY 5 1952

Re: Docket No. DMA-606 (Lead-Copper)
U. S. Oil & Development Corp.
Exploration Project Contract Idm-E29

Dear Mr. East:

Reference is made to your memorandum of April 25, 1952, from Mr. W. H. King, to you concerning sale of bulldozer by Operator, upon which approximately $4,000.00 worth of parts were purchased under the contract.

It is noted that the Operator has an offer of purchase of $4,000.00 for this bulldozer, and is willing to apply one-third of the purchase price against the Government's equity in this piece of equipment. If you feel that this transaction is satisfactory we are agreeable to its disposition on this basis. Check covering the amount to be paid to the Government should be made payable to the Treasurer of the United States, and handled in the usual way.

Sincerely yours,

(signed) FRANK G. JOHNSON

(NB)

Chairman, Operating Committee
Defense Minerals Exploration
Administration

APPROVED:

W. H. Hedges (NB)
Member, Bureau of Mines

D. M. Lemmon (NB)
Member, Geological Survey

FEJohnson/bih - 5/2/52
cc to: Docket
Admr's Reading File
Region IV
Operating Committee
Messrs. Lemon GSA
Hedges BM
Moulds
FEJohnson

April 24 1952

SUPPLEMENTAL REQUEST AMENDMENT
DOCKET NO. 606 HENRIETTA MINE
SAN JUAN COUNTY, COLORADO

Mr. J. H. East, Jr.,
Regional Director
U.S. Bureau of Mines
Region IV
224 New Customhouse
Denver, Colorado

Dear Mr. East:

We are submitting herewith a Supplemental Request Amendment to our Henrietta application Docket No.606 which we trust will have your immediate attention as we would like to continue the work without interruption.

This Supplemental Request covers the continuation of cleaning out the No. 7 tunnel from the Surprise vein into the Henrietta ore body and through it. In addition to the 100 feet allowed under our existing contract we would like to drive the drift approximately 330 feet on the Surprise vein Southeast to intersect with the Henrietta vein; providing that the ore on the Surprise continues and that the BMAE representatives and we think it advisable. We will stop immediately if the BMAE Field Team feels the ore body would not warrant the expenditure. In addition to drifting on the Surprise vein we would like to drift 100 feet from the present ore body in the Henrietta Northeast to intersect with the Surprise vein.

The reason for asking for the driving of a drift from the No. 7 tunnel on the Surprise vein and continuing the Henrietta vein to the Northeast to intersect the Surprise junction is that we would have two headings at the same time which will make the cost of the work much more economical. However, we will leave this matter entirely to the discretion of the Field Team.

We feel we can get this work done at a maximum cost of $35.00 a foot and if the Supplemental Amendment is approved we wish to

be permitted to pay up to a maximum of $15.00 per foot for labor out of the $35.00 rather than a day's pay as we find work done by contract is less costly. If we can get it done for less than $15.00 naturally it will be done.

For rehabilitating the No. 7 tunnel into the Henrietta ore body we can, as we understand it, pay labor by the foot under the present existing contract, DNA No. 606. Whenever we let a labor contract we shall endeavor to make it for the complete job holding back a sufficient amount of money until the contract is completed.

The first 120 foot we expect to get done for about $2.00 a foot, the next 200 foot for $5.00 a foot and 450 feet at $8.00 a foot.

The approximate itemized cost including laying track, air line, air vent and water line is as follows:

120' in No. 7 Henrietta tunnel, @ $2.00 a foot,	$240.00	
200' @ $5.00 a foot	1,000.00	
450' @ $8.00 a foot	3,600.00	$4,840.00
Mining supervisory cost for cleaning out No. 7 tunnel including surface labor, mechanics, compressor man, cat driver and supplies, etc., equal to contract labor cost, or a total of		4,840.00
Drifting on 500 feet Southeast on Surprise vein at $35.00 a foot including everything is		18,500.00
Drifting on Henrietta vein 190 foot Northeast at $35.00 a foot including everything is		6,650.00
Two raises 100 foot each on the Northwest drift of the Surprise vein at $25.00 a foot is		5,000.00
~~Four~~ Two raises on the Henrietta vein 100 foot each on the Northeast drift of the Henrietta vein at $25.00 a foot		5,000.00
We have requested a Jackhammer and leyner and it was approved in our original application. We wish to change this to:		
2 - Swedish jackhammers @ $340.00 each	$ 680.00	
1 - drill sharpener @ $185.00	185.00	
2 - sets of fittings $18.00 each	36.00	
2 - pusher legs @ $155.00 each	310.00	1,211.00
		$40,650.00

We are attaching herewith a map showing the proposed work; the drifting in the ore is shown in red and the habilitation of the No. 7 tunnel into the Henrietta is shown in blue. We are also attaching herewith an assay certificate showing seven samples taken of the actual ore in the 72 feet Surprise drift, Northwest. These samples were taken across the drift and the ore has a thickness of from 2 feet to 5 feet. Those samples were taken for the purpose of determining if it would pay to do selective mining. We have also taln 100 pounds of samples of the entire ore body waste and all for 72 feet including the ore in the breast, but this has not yet been assayed. We believe it will run about 11% lead and about 4 ounces in silver with a small amount of copper and zinc. However with very little difficulty the waste can be separated and the mill ore can be brought up to probably somewhere between 15% and 20%. However, the Henrietta vein is strictly copper and lead. The report in U.S.G.S. Bulletin No. 182-183 shows that while they were developing the Henrietta ore body, which is supposed to be about 72 feet wide, the copper ran from 10% to 30%; that is why we are anxious to get into the ore body just as soon as possible while the copper remains at the present price.

Trusting this will have your immediate attention, we remain

Very truly yours,

U.S. OIL & DEVELOPMENT CORPORATION

By Carl W. Peterson

Carl W. Peterson Secretary

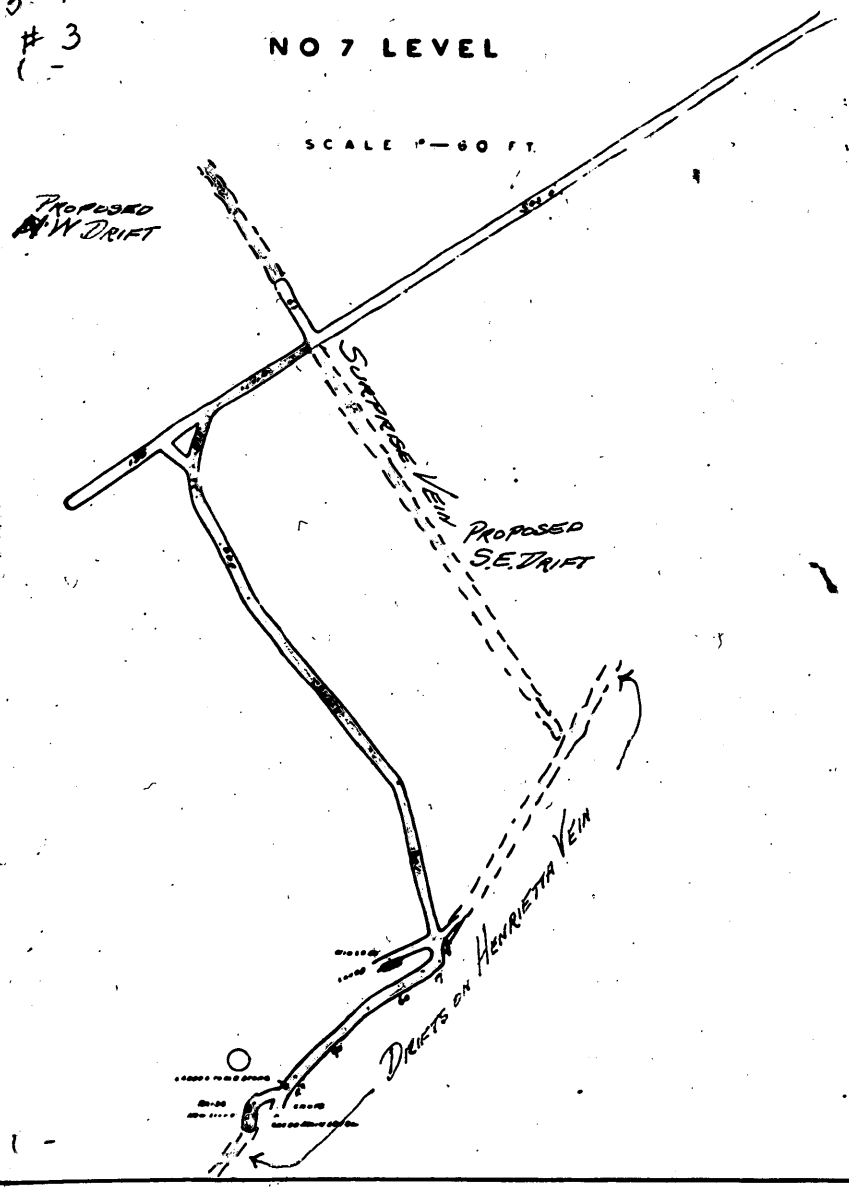
CWP:w

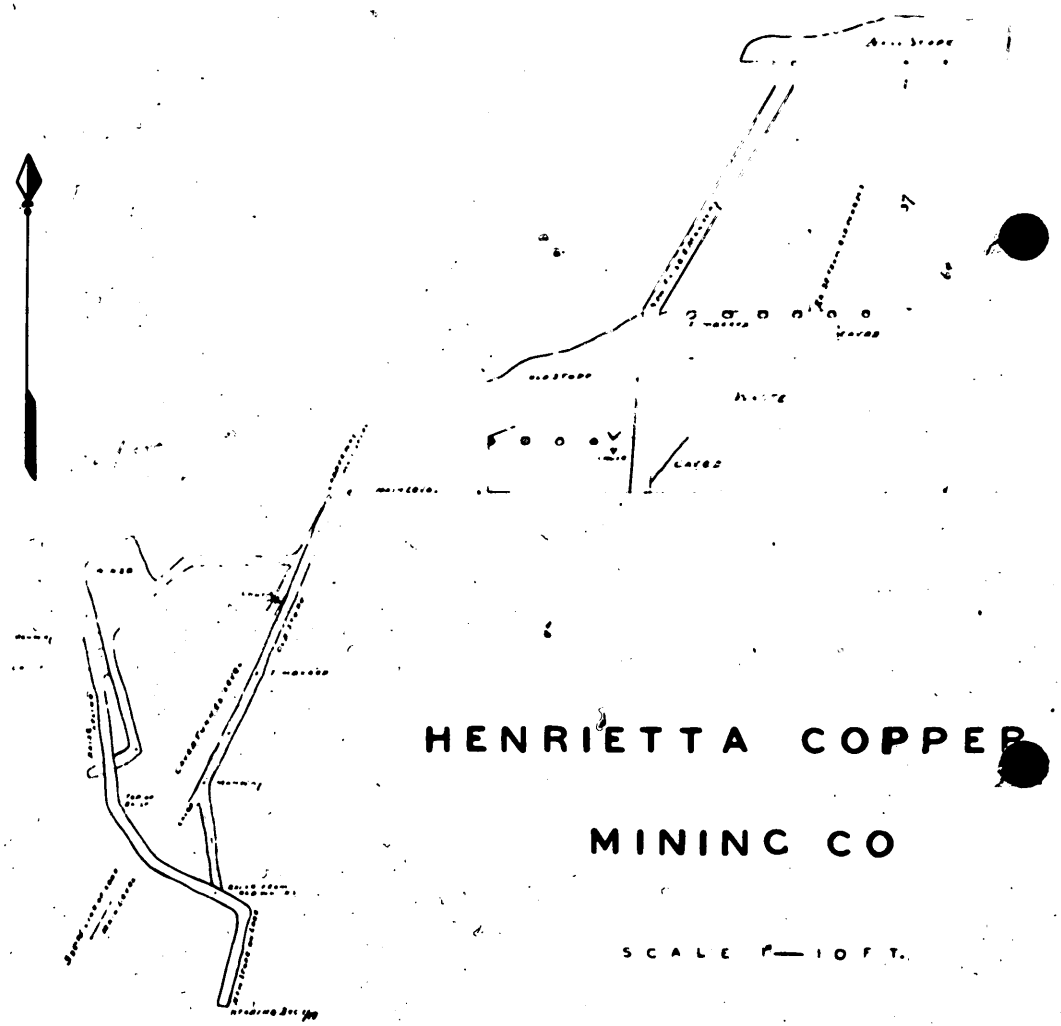
3-A

3

NO 7 LEVEL

SCALE 1"—60 FT.



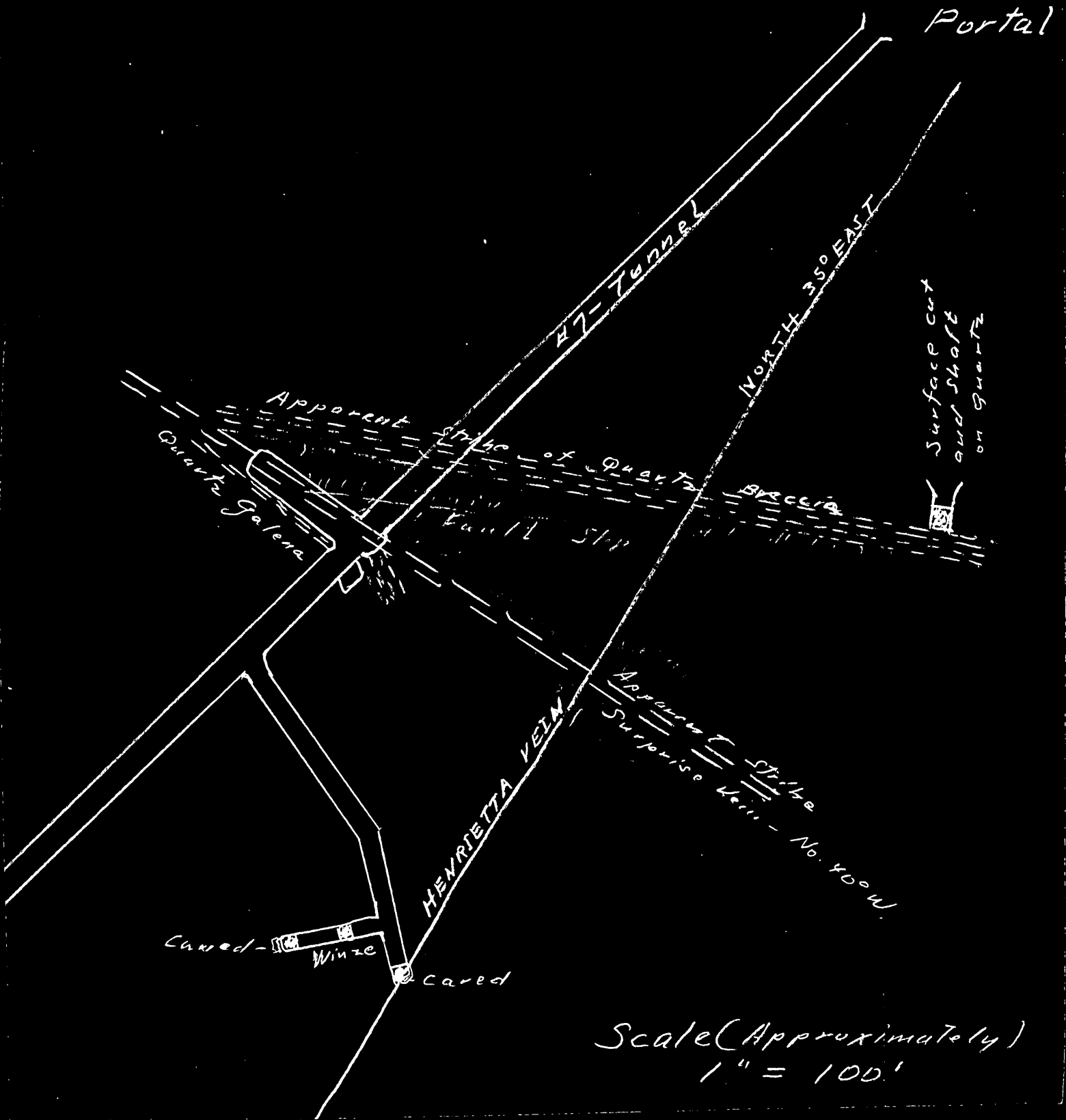


HENRIETTA COPPER MININC CO

SCALE 1"—10 FT.

PHOTO-COPY
BY PICK
FOR EXTRA COPIES, CALL KE. 2876
APR 23 1952
PICK PHOTOGRAPH & BLUEPRINT CO
1016-17th ST. DENVER, COLO
CERTIFIED ON REQUEST

Docket No. DMA-606
(Lead - Zinc - Copper)



Scale (Approximately)
1" = 100'

2114 Curtis Street

TELEPHONE MAin 1852

CHEMISTS • ASSAYERS • ENGINEERS

DENVER 2, COLO.

Folio 5864

U. S. Oil and Metals Corporation,
210 Mercantile Bldg.,
Denver, Colorado.

Date April 25, 1942.

Attention: Mr. Carl Peterson, Secretary.

We hereby Certify, that the samples assayed for you gave the following results:

DESCRIPTION	GOLD OUNCES PER TON	SILVER OUNCES PER TON	COPPER PER CENT (WET)	LEAD PER CENT (WET)	ZINC PER CENT	IRON PER CENT	INSOLUBLE PER CENT	VALUE PER TON
Surprise Vein:								
Sample No. 1		11.40	0.23	35.71	2.28			
2		2.20	0.09	8.05	0.22			
3		3.80	0.11	6.54	0.38			
4		1.04	0.09	3.22	0.28			
5		1.90	0.11	8.25	0.25			
6		6.00	0.07	23.64	0.38			
7		4.50	0.09	20.12	0.48			
		3.40	0.07	11.62	0.28			

Gold at _____ per ounce Copper at _____ per unit

Silver at _____ per ounce Zinc at _____ per unit

Lead at _____ per unit _____

Charge $ 32.00

CHARLES O. PARKER & CO.
CHEMISTS, ASSAYERS and ENGINEERS

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

224 New Customhouse
Denver 2, Colorado

March 10, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 14 1952

Memorandum

To: Secretary to the Operating Committee, Defense Minerals Exploration Administration, Washington, D. C.

From: Executive Officer, Field Team, DMEA, Region IV

Subject: Form MF-104, DMA Docket 606, Contract I-DMA-E29, U. S. Oil and Development Corp., San Juan County, Colo.

Enclosed are the Operator's Monthly Progress Report Form MF-104, Operator's Narrative Report, Inspecting Engineer's Narrative Report and other supporting data for the month of January, 1952, pertaining to DMA Docket 606, Contract I-DMA-E29, U. S. Oil and Development, Corp.

J. H. East, Jr.

J. H. East, Jr.

FILE COPY
SURNAME:

Moulds

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

MAR 3 1952

Mr. J. H. East, Jr.
Executive Officer, Region IV
DMEA Field Team
224 New Customhouse Building
Denver 2, Colorado

Re: Docket DMA 606 Contract I-DMA 829
W. R. Oil and Development Corp.
Docket DMA 115 Contract I-DMA 86
Lupton Mining Company

Dear Mr. East:

With reference to amendments to the subject contracts transmitted to this office under date of February 19, 1951.

Review of the contracts indicate that amendments have been made as follows:

Contract I-DMA-86	Contract I-DMA-829
June 7, 1951	June 27, 1951
June 30, 1951	December 18, 1951
December 2[illegible], 1951	January 24, 1952
January 21, 1952	February 15, 1952
February 15, 1952	February 15, 1952

The above amendments do not bear any reference relative to sequence except the date of execution of the amendment. When two amendments bear the same date as the last two for contract I-DMA-839 the sequence cannot be established.

It is therefore requested that amendments hereafter be designated numerically for each contract to facilitate handling and identification.

Sincerely yours,

(signed) FRANK E. JOHNSON

Chairman, Operating Committee
Defense Minerals Exploration
Administration

APPROVED:

[illegible] (JHB)
Member, Bureau of Mines

T. P. Thayer (JHB)
Member, Geological Survey

DEMoulds/hmj 2-29-52
CC to: dm. Reading File
Docket Mr. Bishop Mr. McKnight
Region IV

S.N. 3-3-52

BY

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

224 New Customhouse
Denver 2, Colorado

February 19, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator, Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Amendments to Contract I-DMA-E29, Docket DMA 606, U. S. Oil and Development Corporation

Enclosed are the original and two copies of each of two amendments to the above contract.

Copies of these amendments have been given to the operator, the Fiscal Officer, Region IV, and we have retained copies for our files.

W. H. King
W. H. King, for
J. H. East, Jr.

Enclosures

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

224 New Customhouse
Denver 2, Colorado

January 24, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Amendment to Contract I-DMA-E29, Docket DMA 606, U. S. Oil and Development Corporation

Enclosed are the original and two copies of an amendment to the above contract. Copies of this amendment have been given to the operator and to the Fiscal Officer, Region IV, and we have retained a copy for our files.

J. H. East, Jr.

J. H. East, Jr.

Enclosures

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 31 1952

OFFICE OF THE ADMINISTRATOR

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

224 New Customhouse
Denver 2, Colorado

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 26 1951

December 20, 1951

Memorandum

To: C. O. Mittendorf, Acting Administrator, Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Amendment to Contract I-DMA-E29, DMA Docket 606, U. S. Oil and Development Corporation

Enclosed are the original and two copies of an amendment to the above contract which provides for paying the miners in the heading at a maximum rate of $10.00 per foot of advance.

Copies of this amendment have been given to the operator and to the Fiscal Officer, Region IV, and we have retained a copy for our files.

J. H. East, Jr.

J. H. East, Jr.

Enclosures

FILE COPY
SURNAME:
410

FEJohnson
Mittendorf

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

SEP 25 1951

Memorandum

TO: Reports and Records Section

FROM: Production Expansion Division

SUBJECT: Docket No. DMA - 606
U.S. Oil and Development Company
Exploration Project Contract I-DMA-E29

Enclosed is a copy of an Amendment to the captioned Exploration Contract which whould be attached to your copy of the contract.

C. O. Mittendorf (A. L.)

C. O. Mittendorf cc 9.25

Enclosure

FEJohnson/meb
cc to: Admr's Reading Files
Messrs.Mittendorf/Olund
FEJohnson
Docket

FILE COPY
SURNAME:

410

FEJohnson
Mittendorf

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

A.E.C

SEP 25 1951

Contract Service Section
General Accounting Office
4th Floor - New GAO Building
Washington 25, D. C.

Re: Docket No. DMA - 606
U.S. Oil and Development Company
Exploration Project Contract
I-DMA-E29

Gentlemen:

Enclosed for recording in your office and attachment to the original contract is the original of an amendment, dated June 27, 1951, to the captioned Exploration Project Contract.

Sincerely yours,

C. O. Mittendorf (A. H.) 9.25

C. O. Mittendorf, Director
Production Expansion Division

Enclosure

FEJohnson/meb
9/21/51
cc to: Admr's Reading Files
Reports & Records
Messrs. Mittendorf/Olund
FEJohnson
Docket

FILE COPY
SURNAME:

410

FEJohnson
Mittendorf

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

September 21, 1951

R. E. C.

Memorandum

TO: Chief, Finance Section

FROM: Production Expansion Division

SUBJECT: Docket No. DMA - 606
U.S. Oil and Development Company
Exploration Project Contract I-DMA-E29

There is enclosed a copy of an Amendment, dated June 27, 1951, to the captioned contract. This copy should be attached to the copy of the contract sent to the Field Finance Office.

C. O. Mittendorf (A.H.)

C. O. Mittendorf

not stripped
R + R

Enclosure

FEJohnson/meb
cc to: Admr's Reading Files
Messrs. Mittendorf/Olund
Reports & Records
FEJohnson
Docket

OFFICIAL FILE COPY

DEPARTMENT OF INTERIOR
RECEIVED
SEP 17 1951
Defense Minerals Administration
Production Expansion Division

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

To	Init.	Date
210		

224 New Customhouse
Denver 2, Colorado

September 13, 1951

Mr. Johnson

Memorandum

To: C. O. Mittendorf, Director, Production Expansion Division
Defense Minerals Administration

From: Executive Officer, DMA Field Team, Region IV

Subject: Amendment to Contract I-DMA-E29, DMA Docket 606, U. S. Oil and Development Company

Enclosed are the original and two copies of an Amendment to Contract I-DMA-E29, which have been signed by the applicant and by the Executive Officer, DMA, Region IV.

Paul T. Allsman

P. T. Allsman, Alternate

Enclosures

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
SEP 17 1951

FILE COPY
SURNAME:

F. L. Knouse
Mittendorf

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

SEP 12 1951

Q.E.C.

Mr. J. H. East, Jr.
Executive Officer
Region IV
Bureau of Mines
224 New Customhouse Building
Denver 2, Colorado

Dear Mr. East:

In answer to your request in Memorandum dated August 28, 1951, we are enclosing a photostatic copy of the lease from the Blue Bird Mining and Milling Company. Please attach this copy of the lease to your copy of Contract I-DMA-E29 (DMA-606).

Sincerely yours,

C. O. Mittendorf

BJ 9/12

C. O. Mittendorf, Director
Production Expansion Division

Enclosure

9/10/51
FLKnouse/meb
cc to: Admr's Reading File
Reports & Records
Messrs.Mittendorf/Olund
Knouse
Docket

T. Johnson

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

OFFICE OF
REGIONAL DIRECTOR

DEPARTMENT OF THE INTERIOR
RECEIVED
SEP 4 1951
Defense Minerals Administration,
Production Expansion Division.

REGION IV

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

August 28, 1951

Memorandum

To: C. O. Mittendorf

From: Regional Director, Region IV

Subject: Contract I-DMA-E29 (DMA-606)

Our copy of contract I-DMA-E29 (DMA-606) covering the U. S. Oil and Development Corporation does not have a copy of the lease from the Blue Bird Mining and Milling Company attached. It is probable that you have retained the lease with your contract and if so, please send us a photostatic copy of the lease.

J. H. East, Jr.

J. H. East, Jr.

Copy to: P. T. Allsman

SEP 4 8 43 AM '51
DEFENSE MINERALS
ADMINISTRATION
WASHINGTON, D.C.

FILE COPY
SURNAME:

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

AUG 7 1957

Memorandum

To: Mr. J. E. Rast, Jr., Exec. Officer, DMA Field Team, Region IV

From: Coordinating Committee, DMA

Subject: Access Road Applications to Caltie Bay, DMA-363 and Henrietta Mines, DMA-606

Your letter of July 18 to Mr. Stanley Walker on the above subject gives approval to the roads requested for both the Caltie Bay, DMA-363 and Henrietta Mines, DMA-606, and we note that you are being "pressured" by the mine operators, since they already are at work under the terms of the approved contract.

The exploration project application on the Caltie Bay is still under consideration and there is no indication from the Supply Division of DMA that it is likely to be approved in the near future.

The Henrietta application has, as you know, been approved, and nothing has been done toward processing the access road application as Mr. Walker's office lacks any report on the road conditions. We still does not know whether the present means of access to the Henrietta property is sufficient for the transportation of such equipment machinery and supplies necessary to carry on the exploration work with the road application being primarily for ore-hauling purposes or whether some access road work must be done preliminary to starting the exploration work. Your approval of these roads without investigation in the field or details of road conditions does not clarify this situation.

As there are no available access road funds at this time, even if the Bureau of Public Roads survey could be expedited, it is very doubtful if the road could be built with access road funds this year because of the short remaining building season at that altitude. The only way that immediate road work could be undertaken would be to include the necessary road for the exploration work as part of the exploration project program with the cost included therein, and if

the applicant would agree to this and an approximate cost determined by the applicant and the field team, its inclusion in the program could be expedited at this end by teletyping a brief report giving identification, cost, amount and type of work to be done and road terminal to Mr. Wittendorf direct, and the applicant could proceed with the road work himself. Please look into this and advise Mr. Walker as soon as possible the applicant's desire and your suggestions.

The same procedure should be followed as regard the Caltie Bay, and any necessary access road for exploration purposes should be included in the project program.

As a matter of policy, it has been decided that for the present, at least, all access roads necessary to the starting of exploration work shall be included in the project program and the cost set up therein, and if an application covers an ore-hauling road, the use of which is dependent upon shipping ore developed by an exploration program, the application shall be held in abeyance until sufficient ore is developed to warrant its processing. You will, within a few days, receive official notification of this policy.

SIGNED By

Chairman
Coordinating Committee

Bureau of Mines, Member

Geological Survey, Member

Copy to: Coordinating Committee
Mr. Moon, Room 3610
Mr. Wittendorf, Room 4640
Mr. Strobel
Mr. Montag
Files
Admin. Reading File
Mr. Walker

2

SMWalker:fdr

FILE COPY
SURNAME:
350

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

T. P. Billings
McKnight
O'Leary
(For MTS)

July 17, 1951

DMA-606 Henrietta Mine
DMA-613 Gaitie Boy Mine

Mr. Carl R. Peterson, Secretary
U. S. Oil & Development Corporation
Suite 205 Mercantile Building
Denver 2, Colorado

Dear Mr. Peterson:

Your letter of July 12 to Mr. Otto Herres has been received and referred to me for reply. This is to advise that Mr. Herres is no longer connected with Defense Minerals Administration.

I note your appreciation of our efforts here in expediting approval of your contract.

With reference to the Gaitie Boy, everything possible is being done to expedite processing of this application. As to Joe and John and Hercules which you mention in your letter, we have no record in the Lead-Zinc Branch covering these projects.

I agree with you as to the desirability of getting work started in this high country where the summers are short and the winters long, and of course we will do everything in our power to get the work under way.

Very truly yours,

T. P. Billings, Chief
Lead-Zinc Branch

TPBILLINGS:ks

cc: Reports & Records Unit
Mots
McKnight
Billings
Files

Mr. Herres

U.S. OIL & DEVELOPMENT CORPORATION

Producers of Oil, Lead & Zinc
Suite 205-11-16 Mercantile Building
Denver 2, Colorado
July 12 1951

DEPARTMENT OF THE INTERIOR
Bureau of Mines Administration
RECEIVED
JUL 16 1951
LANDON F. STROBEL
Executive Secretary

Mr. Otto Herres,
Chief, Lead-Zinc Branch,
Defense Mineral Administration,
U.S. Department of Interior,
Washington 25, D. C.

Dear Mr. Herres:

I want to thank you very kindly for getting our Henrietta loan, number 606, through which was signed up by us on Monday, July 2nd.

Today I received a telegram from Senators Johnson and Millikin reading as follows:

> "Glad to advise you defense minerals approved your exploration loan today!"

I almost fell over because I thought this referred to the Galtie Boy so I called up Mr. Allsman and he said apparently they found out through the associated press that the Henrietta application had been approved.

Since last Monday we have purchased approximately $20,000 worth of equipment, materials and supplies for Henrietta which has already been delivered and which we have already paid for. I am wondering if it would not be possible to get the Galtie Boy, Joe & John and Hercules through so we could get all four of these mines under way before snow falls because in the summer time we can really get $1.00 work done for $1.00 but in the winter time it takes from $3.00 to $4.00 to get $1.00 worth of work done. I am sure that you understand the situation and I also know that you will do everything in your power to see to it that these loans will be sent through as soon as possible.

Assuring you of our appreciation for the kindness you have rendered us, I remain

Very truly yours,

U.S. OIL & DEVELOPMENT CORPORATION

By Carl H. Peterson
Carl H. Peterson, Secretary

CHP:w

JUL 17 1951

FILE COPY
SURNAME:

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

FEJohnson
Mittendorf

G.E.C -

July 10, 1951

Mr. Frank McAtee, Jr.
Contract Services Section
General Accounting Office
4th Floor - New G.A.O. Building
Washington 25, D. C.

Re: Docket No. DMA-606
U. S. Oil & Development Corporation
Exploration Project Contract
No. I-dm-E29

Dear Mr. McAtee:

Enclosed for recording in your office is the original of an executed Exploration Project Contract between the Operator named in the above reference and the Government of the United States.

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division

FEJohnson/ecl

cc to: Messrs. Mittendorf - Olund
Herres
McKnight
J. H. East, Jr., Reg. IV (2)
Johnson
R. & R. Br.
Admr's. Reading File
F I L E S

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

OFFICE OF
REGIONAL DIRECTOR

REGION IV

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

July 5, 1951

Memorandum

To: C. O. Mittendorf

From: J. H. East, Jr., Regional Director, Region IV

Subject: Contract I-DMA-E29 (DMA 600), Zinc, Lead and Copper - U. S. Oil and Development Corporation, 205-11-16 Mercantile Bldg., 15th and Arapahoe Sts., Denver 2, Colo.

Herewith are the original and 2 copies of the above executed contract with Exhibits A to E and Landlord's Subordination Agreement attached. One copy has been given the Operator, one to the Finance Office and one retained in our files.

J. H. East, Jr.

J. H. East, Jr.

Attachments

FILE COPY
SURNAME:

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

July 3, 1951

Mr. Carl H. Peterson, Secretary
U. S. Oil & Development Corporation
Suite 205-11-16 Mercantile Building
Denver 2, Colorado

Re: Docket No. DMA 606
Henrietta Mine
Exploration Project Contract

Dear Mr. Peterson:

Reference is made to your letter of June 25, 1951, addressed to Mr. Otto ~~Hines~~ Case, concerning the captioned project and enclosing two copies of signed Subordination Agreements relating thereto and six signed copies of Subordination Agreement pertaining to your application for an exploration project on the Joe and John Mine.

An Exploration Project Contract for the Henrietta Mine has been sent to Mr. J. H. East, Jr., Executive Office DMA Field Team, Region IV, who no doubt will shortly contact you with respect to execution of this contract. We will retain the two copies of the Subordination Agreement for the Henrietta Mine to attach to the two copies of the contract that will be returned to this office by Mr. East.

The six copies of the Subordination Agreement for the Joe and John Mine will be filed with your application for an Exploration Project in that mine.

Thank you for your promptness in forwarding the Subordination Agreements.

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division

FEJohnson/meh
cc to: Messrs. Mittendorf, Olund
Strobel
Herres
Region IV (2)
Johnson
FILES
Chron. Copy

FILE COPY
SURNAME:

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

Mailed

JUN 29 1951

AIR MAIL

Not stripped in R. & R.

Send - Zinc copper

Mr. J. H. East, Jr.
Executive Officer
DMA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-606
U. S. Oil & Development Corporation
Exploration Project Contract

Dear Mr. East:

There are enclosed an original and five copies of Exploration Project Contract No. I-DMA-E29, dated June 27, 1951 with Exhibits "A", "B", "C", "D" and "E", four signed copies of Subordination Agreement, and maps, all pertaining to the captioned project.

In order to expedite the completion of this contract, Mr. Boyd has executed each copy of the contract. It will be necessary for you to contact the Operator and have an authorized representative sign the original and five copies. It will also be necessary to obtain two more copies of a Subordination Agreement from the lessor. Enclosed are also two additional copies of this document for execution by the lessor.

When the contract has been signed by Operator's representative and you have obtained the additional copies of the Subordination Agreement, you should forward to my office the original and two copies of the completed contract with all attachments. One copy of the complete contract and attachments should be furnished the Operator. This is his authority to proceed with the project, so should not be given to him until all copies have been signed and satisfactory Subordination Agreement obtained. One copy of the completed contract and attachments should be sent to the Finance Officer, Bureau of Mines, for your Region, and the sixth copy and attachments retained for your files.

The Operator should be requested to notify you when he expects to start work on the project so you can arrange for a visit to be made to the project at that time or shortly thereafter.

If you have any questions regarding the foregoing, please do not hesitate to call on me.

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division

APPROVED:

Tom Lyon
Chairman, Coordinating Committee

M W Knight
Member, Geological Survey

Lowell B. Moon
Member, Bureau of Mines

Enclosures

FEJohnson/ecl

cc to: Messrs. Mittendorf - Olund
Strobel
Lyon
Rove
Moon
Johnson
F I L E S

FILE COPY
SURNAME:

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

June 27, 1951

Memorandum

To: C. O. Mittendorf

From: J. L. Hofflund

Subject: U. S. Oil and Development Corporation exploration contract -- Docket No. DMA 606

This office has reviewed the contract in the above-styled case and finds it in satisfactory form for execution subject to:

1. The obtaining of the subordination agreement from the lessor.

2. Some clarification of Exhibit E. The contract contemplates that equipment will be supplied to the project in operable condition and that its rehabilitation will not be charged as a cost. We will not object to the inclusion of the bulldozer in Exhibit E, however, provided some such notation is added as, "No rental charge shall be made for the use of the equipment on the project".

At the time of execution the effective date should be inserted in the contract.

Your file on the case is returned herewith.

J. L. Hofflund

J. L. Hofflund
General Counsel

Attachments

R.R.Guthrie/JLHofflund/ema

Copy to: L.F.Strobel
R.R.Guthrie
J.L.Hofflund
Files Chron.

DMA 606

856

U. S. OIL & DEVELOPMENT CORPORATION
Producers of Oil, Lead & Zinc
Suite 205-11-16 Mercantile Building
Denver 2, Colorado

June 25 1951

Mr. Otto Herres, Chief
Lead-Zinc Branch
U.S. Department of Interior
Defense Minerals Administration
Washington 25, D.C.

DMA-606

Dear Mr. Herres:

Upon receipt of your letter dated June 19, 1951, I am enclosing herewith Subordination Agreements signed by the Secretary of the Blue Bird Mining & Milling Company. Your telegram of Thursday, June 21st, was received after I had left that same morning for Silverton, but our attorney Mr J. S. Henderson took care of this and airmailed the agreements to you Thursday night.

Your telegram of June 21st reads as follows:

" SIX SIGNED COPIES OF LANDLORD'S SUBORDINATION AGREEMENT NEEDED. GET EXTRA COPIES FROM JACK EAST.

Otto Herres, Chief
Lead-Zinc Branch
Defense Minerals Administration."

As I did not get back to the office until this morning I did not receive it and could not send the other two subordination agreements, however I am enclosing them herewith, but I hope you have had photostatic copies made of the two that were needed for the Henrietta mine so that it did not hold up the loan. I trust the papers are on the way out here now.

I am enclosing six subordination agreements for the Joe & John mine which is also owned by the Blue Bird Company and which we have under a bond and lease from them the same as Henrietta. Please attach this to the Joe & John application which we have no docket number for as yet.

Very truly yours,

U.S. OIL & DEVELOPMENT CORPORATION

By Carl H. Peterson
Carl H. Peterson, Secretary

CHP:w

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 27 1951
LANDON F. STROBEL
Executive Secretary

B

FILE COPY
SURNAME:

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

Herres
Mote
Prokow
For McKnight

DEFENSE MINERALS ADMINISTRATION
14-1110037 EXPENSES OF DEFENSE
PRODUCTION EXECUTIVE OFFICE OF
THE PRESIDENT
(ALLOTMENT TO INTERIOR)
1951 10.1

JUNE 21, 1951

MR. CARL H. PETERSON
205-11-16 MERCANTILE BUILDING
15th AND ARAPOHOE
DENVER, COLORADO

SIX SIGNED COPIES OF LANDLORD'S SUBORDINATION AGREEMENT NEEDED.

GET EXTRA COPIES FROM JACK EAST.

Otto Herres

OTTO HERRES, CHIEF
LEAD-ZINC BRANCH
DEFENSE MINERALS ADMINISTRATION

ETMcKNIGHT'lm

cc: Mr. Maye
Audits
Strobel
Mote
McKnight
Herres
Files

Dorr 666

PHONE CHERRY 1112

JAMES S. HENDERSON
ATTORNEY AT LAW
208-210 EQUITABLE BUILDING
DENVER 2, COLO.

Dma-606X
Files

June 21, 1951

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

Re: Docket DMA-606X

Gentlemen:

In accordance with the request of Mr. Carl H. Peterson, Secretary of U. S. Oil and Development Corporation, I enclose herewith four copies of the Landlord's Subordination Agreement, in connection with the loan application heretofore made by the U. S. Oil and Development Corporation for exploration and development of the Henrietta Mine.

Very truly yours,

James S. Henderson

James S. Henderson

JSH/al

Enc. 4

DMA 606

File
no reply needed
6/28/51 JJJ
(sent to Field Team)

858

FILE COPY
SURNAME:

McKnight
Herres
Mote

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

June 19, 1951

Re: Docket DMA-606

Airmail

Mr. Carl H. Peterson, Secretary
U. S. Oil & Development Corporation
205-11-16 Mercantile Building
15th and Arapahoe Streets
Denver, Colorado

Dear Mr. Peterson:

Before final signatures can be put on the exploration contract for the Henrietta Mine, it will be necessary for you to present a signed copy of the Landlord's Subordination Agreement, MF-202, signed by the Lessor of the Henrietta property.

This requirement is explained under question No. 7 of the application form for exploration. I am enclosing a copy of MF-202 for your attention.

Very truly yours,

Otto Herres

Otto Herres, Chief
Lead-Zinc Branch

Enclosure

ETMcKNIGHT:emp
G 6/18/51
Copies to: J. H. East, Jr. Region IV (2)
Chief, Lead-Zinc Branch
E. T. McKnight 4204 GSA
R. H. Mote
L. F. Strobel
Directors r. file 4214 GSA
Br. r file 4214 GSA
Files

DMA 606

856

McKnight
Herzog
6/5/51 Moto

Defense Minerals Administration

Review of Application for Exploration Assistance

Docket No. DMA 606

Commodity Lead-zinc-copper

Total Amount $ 51,329

Govt. Participation 50%

1. Name and Address of Applicant U.S. Oil & Development Corporation

Carl H. Peterson, Sec'y, 205-11-16 Mercantile Bldg., 15th and Arapahoe Sts., Denver, Colorado

2. Location of Property Henrietta Mine, in Prospect Basin, San Juan County, Colo.

8½ miles north of Silverton

3. Mineral or metal Lead-zinc-copper Is it listed in Section 9 of MO-5? Yes

If not, application will be rejected.

4. Geologic probability of discovery—based on data in application (question #16, 17, 18, 20 and 22)*

Mines or Survey reports, etc., do you rate chances:

a) Good Good, (See attached comment)

b) Poor

c) None

d) Don't know—needs field examination

e) Is there an alternative and favorable project? No
(If so, attach an explanation)

5. Is the applicant's right to the property clearly stated? Yes
(question 5, 6, 7)*

6. If applicant is a lessee, is a copy of the lease attached? Yes

Does the lease have sufficient time to run to cover a future

productive period? Yes, if conditions of lease are met.

*question numbers are those of MF-103

4. (a) Mine was operated from 1903-1907, producing about $100,000, the values being chiefly in gold, silver, and copper, but no details as to the percentage of base metals in the ore are available. Reports of this time state that 300,000-400,000 tons of ore are blocked out, but the grade is not given other than independent estimates that the Henrietta vein contains 4-5% copper. Considerable development work was done at the mine for several months prior to October 1920, and one report (by E. W. Walter) states that 3 cars of "black copper" ore were shipped during this period, one of them averaging 16½ per cent copper. Smelter settlement sheets with the docket material show several shipments of gold, silver, and copper ore during 1918-1921, but some of these settlements are for ore from mines other than the Henrietta.

In 1940-43, a group of Denver operators cleaned out the tunnel and crossed the Surprise vein about 600 feet from the portal, which is reported to have contained good lead and zinc values. Shipments at this time amounted to about 2 cars. This operation ran out of money before it reached the Henrietta vein. There has been no later production. The reserves claimed for the Henrietta vein are stated to be largely inaccessible at present.

According to W. S. Burbank of the Geological Survey, the ores of this general area are quartz veins commonly high in pyrite with scattered bodies or chimney-like shoots of higher grade base metal sulfides with silver and gold. The ores are complex, and may locally predominate in lead-zinc, or copper. The chances of locating rich chimneys of ore by exploration are good enough to justify the proposed exploration that is here recommended; or the alternative is large tonnages of lower grade zinc-lead vein deposits.

7. Are subordination agreements necessary? _____

a) MF-201? No

b) MF-202 Yes - *not submitted*

8. From the data presented, does the proposed project appear feasible from the point of view of:

a) Available manpower O.K. See item (e) on p 2 preceding exhibit 3(c) of original application.

b) Equipment and supplies Listed on exhibit 3 (c) of original application; O.K. (Question 14 plus general knowledge of availability)*

c) Accessibility (question 12)* O.K; listed in item (i) , p 3 preceding exhibit 3 (c).

d) Water (question 13)* O.K; see item 13, letter of May 18,1951, to Allsman

e) Power (question 13)* O.K; " " " " " " " " " "

Is a field check needed on any of these points? No

9. Does the experience of the applicant appear to be adequate to assure that he can properly conduct the proposed project? (question 4)* Yes; see item 6 of p 4, preceding exhibit 3 (c).

Is a field check needed on this point? No

10. Exhibit A. (questions 21 and 22)*

a) Is the project adequately described? Yes; in letter of June 4, 1951 to Otto Herres

If not, are there sufficient data given so that you can describe the project? _____ If so, attach a draft.

b) Is there an adequate map or sketch of the proposed work? Not too good; maps shown on exhibits 3A1, 3A2, and 3A8.

c) Is the proposed work "exploration" under the definition of Section 8, MO-5? Yes

If not, what part of it is? _____

Is this part a worthwhile exploration project? _____

d) Are the cost estimates detailed? Yes (see exhibit 3(c) letter of June 4, 1951 to Otto Herres

Can they be summarized, as on page 2 of Procedural Instruction 5-A, from the available data? Yes If so, attach a draft. Attached.

e) Are the cost estimates reasonable? Yes, except stopers not needed for exploration

f) Should more information be requested from applicant? No

g) Is a field examination necessary to complete Exhibit A? No

11. Exhibit B (question 23-d)*

a) Is it applicable? Yes

b) If so, are sufficient data furnished? Yes If so, attach a draft. 3 power poles and wire, listed under 10 (d) above.

c) Is a field check needed? No

12. Exhibit C (question 23-e, f and g)*

a) Is it applicable? Yes

b) Sufficient data? Yes If so, attach a draft. Attached

c) Are rents and charges reasonable? None

d) Is a field check needed? No

13. Exhibit D (question 23-a, b)*

a) Are there sufficient data? Yes

b) Is the schedule adequate for the work proposed? Yes

c) Is the schedule excessive for the work proposed? No

d) Are the proposed wages and salaries reasonable? Yes Refer to letter June 4, 1951 1st paragraph

e) Is a field check needed? No

10. (d)

15	tons 30-lb Rails, $80 per ton	$1,200.00
10	1-ton ball-bearing mine cars at $100 each	1,000.00
1	Mucking machine	2,812.00
1	Leyner	785.00
1	Jack Hammer	330.00
4	Stopers at $610.00 each	2,440.00
10	Sets of steel, timekin carbide insert rock bits	600.00
1	Air compressor, 420 cubic feet	4,800.00
2	Large air receivers	150 300.00
1	Air trammer complete	1,800.00
1	5 H.P. exhaust fan (12 inches)	450.00
1,000	Ft. 3-inch pipe at .75¢ a foot	750.00
1,000	Ft. 2-inch pipe at .36¢ a ft	360.00
1,000	Ft. 1-inch pipe at .19¢ a ft	190.00
	Mine timber, estimated	3,000.00
1	Tugger hoist	817.00
600	Rail ties at 50¢ each	300.00
1,500	Ft. 8-inch vent pipe at 60¢	900.00
6	Air hoses at $75	150 450.00
6	Water tanks at $65	130 390.00
	Pipe from Joe & John Compressor, about 500 ft. at $75 (Joe & John is an adjacent mine)	375.00
	Rail spikes and track bolts	100.00
	Rail splices	100.00
	Freight and trucking estimated	2,500.00
40	Boxes powder from Carl Curtis at $19.25	400 800.00
	Fuse ..$200, Caps..$60	130 260.00
	Total	$27,809.00

(For modification of above list, see Item 23 (e), in letter of May 18,1951, to Allsman).

Labor:

	Payroll, 3 (= 4?) months until they get into production, 8 miners, 120 shifts each, or 960 man days at $12	$ 11,520.00
	Supervision, 5 months at $500	2,500.00
	Electric power for 5 months at $400	2,000.00
3	Power poles, wire from Lark mine to Henrietta	1,000.00
	Repair HD-14 Allis Chalmers cat dozer	3,000.00
	Drifting on Surprise vein, 100 ft. at $35	3,500.00
	Grand Total	$ 51,329.00

12. (b) (all items purchased)

15	tons 30-lb. Rails, $80 per ton	$ 1,200.00
10	1-ton ball-bearing mine cars at $100 each	1,000.00
1	Mucking machine	2,812.00
1	Leyner	785.00
1	Jack Hammer	330.00
4	Stopers at $610 each	2,440.00
10	Sets of steel, timekin carbide insert rock bits	600.00
1	Air compressor, 420 cubic feet	4,800.00
2	Large air receivers	300.00
1	Air trammer complete	1,800.00
1	5 H.P. exhaust fan (12 inches)	450.00
1,000	Ft. 3-inch pipe at 75¢ a foot	750.00
1,000	Ft. 2-inch pipe at 36¢ a foot	360.00
1,000	Ft. 1-inch pipe at 19¢ a foot	190.00
1	Tugger hoist	817.00
600	Rail ties at 50¢ each	300.00
1,500	Ft. 8-inch vent pipe at 60¢	900.00
6	Air hoses at $75	450.00
6	Water tanks at $65	390.00
	Pipe from Joe & John Compressor, about 500 ft. at $75 (Joe & John is an adjacent mine)	375.00
	Rail spikes and track bolts	100.00
	Rail splices	100.00
	Total	$ 21,249.00

14. Exhibit E (question 23-c)*

a) Is it applicable? Yes

b) Sufficient data? Yes (repair on caterpillar; see item 10 (d)

c) Reasonable? Appears reasonable.

d) Field check needed? No

15. In your judgment, can the proposed work be done in the proposed time? Yes

(All exploration must be completed within two years)

16. If field examination is not needed, attach your recommendation.
Recommended on basis of geologic probability and record of former operations.

17. If field examination is needed, do you have any special instructions for the field team not indicated by your answers to the foregoing question?

Reviewed by: E.T. McKnight GS

G. A. Apell BM

Date 6/15/51

97692

FILE COPY
SURNAME:

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

June 6, 1951

Mr. J. H. East, Jr.
Executive Officer
DMA Field Team, Region IV
Denver, Colorado

Re: Galtis Boy & Henrietta Mines
DMA - 606 - 363 Access Roads

Dear Jack:

Through: Coordinating Committee

I am attempting to bring the subject applications up-to-date in this office.

I was informed yesterday by Mr. Herres (Zinc-Lead Branch, DMA) and Mr. McKnight of U.S.G.S., that an exploration project in the amount of $60,000 on these two properties will probably be approved soon.

Correspondence with the applicants indicate an immediate need for the access roads if exploration work is started. The original application for roads was by letter to you February 28, followed by a formal application on Form MF-105, March 27. My letter of April 6 to you requested a field investigation.

Receiving no report or information from your office I assumed that because of the snow conditions at the mines that no field survey had been made as yet, but the imminent approval of the exploration project would seem to be the result of some field work.

It is taking approximately two months to process an access road application through the Bureau of Public Roads including the field survey if initiated in Washington. If an exploration project, the approval of which is likely, is dependent upon an access road for the transportation of machinery and equipment for exploration work and/or the hauling of ore during the life of the project then a report on the road conditions should be made at the earliest possible time and contact made with the District Engineer of the Bureau of Public Roads in the field as outlined in Procedural Instruction No. 8 so that the Bureau of Public Roads work can be started and carried out during the finalizing of the exploration project papers.

If an exploration project can be started and carried on over existing roads and road improvement is only needed for heavy haulage, in the event of ore production the road application can be shelved pending ore development, but these circumstances should be determined early and reported to this office.

Although access road funds are anticipated none have been currently appropriated and no funds are now available. If an exploration project is dependent upon a road into a property an applicant has two alternatives: he may wish to wait for funds to be made available and stand on his access road application, with the government paying for the road but suffering a delay of two or three months or even more or he may include the cost of the road in his project application and pay his portion of the expense but get immediate construction. This decision should be considered in all exploration projects involving access roads and a conclusion reached by the Field Team with applicant concurrence and reported promptly to avoid duplicate processing.

I hope these suggestions may be of some assistance to you and this office will welcome any suggestions from the field teams which will aid in coordinating and expediting the road and housing assistance to mines.

We will appreciate a road report on the subject mines.

Very truly yours,

Stanley M. Walker
Acting Chief
Housing and Utilities Br.

SMWalker:eg

Copies to: Admin. Reading File
Coordinating Comm.
Mr. Strobel
Mr. Montag
Files

FILE COPY
SURNAME:

McKnight
Herrgs
Mots

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

June 1, 1951

Re: Docket DMA-606

Mr. Carl H. Peterson, Secretary
U.S. Oil & Development Corporation
205-11-16 Mercantile Building
15th and Arapahoe Streets
Denver, Colorado

Dear Mr. Peterson:

The Lead-Zinc Branch has received from the field office, the docket on your application, DMA-606, Henrietta Mine, together with a new application on Form MF-103 for exploration on this mine.

We note that in answering the questions on Form MF-103 you have given only a partial revision of question No. 23, which concerns requirements and costs of the proposed exploration project. You have not changed the total of funds requested in your original application. However, the original application is not particularly suited to an exploration proposal. For instance, one of the items listed is "Payroll for production, 4 months, 600 shifts at $12.00, $7,200.00". It is possible that your application can be processed in our Production Expansion Division by disallowing this item and perhaps a few others not pertinent to exploration. It would perhaps expedite processing your application, however, if we could receive a revised statement of the costs which, of course, might involve a slight modification of the total amount requested. A revision of page 3-C of your application would be all that would be involved.

We will also need an answer to item No. 21 which requests a concise description of the work that is proposed under the program. We have no description of this work other than the general statement contained in docket No. 606, that the application is for an exploration and mining loan. Do you intend to clean out and open up the full 1600 ft. of the No. 7 tunnel? Do you intend to open up the upper tunnels and, if so, which ones? Presumably you will also do some drifting or crosscutting as otherwise some of the other equipment items listed on page 3-C of your application would not be pertinent. We surmise that you will do some drifting on the Surprise vein, but there is no statement to this effect in your application.

We need this information about the specific work to be accomplished in order to define the program to which the Government is contributing. Otherwise, we have no way of judging whether the work for which the Government contributes funds is actually performed as per the contract that will be signed. We realize, of course, that some of the details may be determined by what you find when you get the ground opened up. However, you must have certain work planned, such as drifting or raising on favorable showings for which an estimate can be given.

When we have received your reply we can proceed with the processing of your application.

Very truly yours,

Otto Herres

Otto Herres, Chief
Lead-Zinc Branch

ETMCKNIGHT:emp
G 6/1/51
Copies to: J. H. East, Jr. Region IV (2)
Chief, Lead-Zinc Br.
E. T. McKnight 4204 GSA
L. B. Moon
R. H. Mote
L. F. Strobel
Tom Lyon
Directors reading file 4214 GSA
Br. reading file 4214 GSA
Files

dma-606

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

OFFICE OF
REGIONAL DIRECTOR

REGION IV

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

May 21, 1951

Memorandum

To: Landon Strobel, Executive Secretary, Defense Minerals Administration

From: Field Team, DMA, Region IV

Subject: U. S. Oil & Development Corp. application

We are attaching three copies of form MF-103 delivered to this office this morning by Mr. Carl Peterson, U. S. Oil & Development Company. This should be made a part of the information forwarded to you on May 18.

P. T. Allsman, Alternate

Attachments

Dma 606

856

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 2 5 1951
LANDON F. STROBEL
Executive Secretary

REGIONAL DIRECTOR

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

May 18, 1951

Memorandum

To: Mr. Landon Strobel, Executive Secretary, Defense Minerals Administration

From: Field Team, Region IV

Subject: DMA-606 - U. S. Oil & Development Corp., Henrietta Mine, Carl Peterson, Applicant.

Herewith enclosed are three copies of additional information on the above application. You were sent three copies of Form MF-103 on May 9, 1951. This information is the supporting exhibits for attachment to the contract. Also included is the original brochure.

This application gets more confused as we go along; however, we hope it is sufficiently complete for final execution.

Paul T. Allsman, Alternate

A. H. Koschmann

Enclosures

MAY 1951

FILE COPY
SURNAME:

McKnight
Herres
Mote

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

May 4, 1951

Airmail

Re: Docket DMA-606

Mr. J. H. East, Jr.
Bureau of Mines
224 New Customhouse
Denver 2, Colorado

Dear Mr. East:

Concerning Allsman's teletype on DMA-606, Henrietta mine:

In our conversation with Peterson we may have expressed the opinion that in view of Burbank's comments on the geologic worth of the proposition and in further view of the inaccessibility of much of the workings, a field examination might not be needed, but we tried to make it plain that the question of whether a field examination was made or not, was up to your office. There might be engineering phases of the project that should receive attention of the Bureau of Mines part of the team and that might require a field examination. That decision will be entirely up to you.

As to whether another application is needed, if the answers to all the questions on Form NF-103 are in the report as turned in, then no new application is needed. We do not now have the report to check, but our recollection is that, in addition to the application being poorly presented, there may be several unanswered questions and, if the project is approved, this may cause delays when the recommendation reaches the Production Expansion Division.

Very truly yours,

Otto Herres

OTTO HERRES, Chief
Lead-Zinc Branch

ETMcKnight:emp
G 5/4/51
Copies to: J.H.East, Jr. (1)
Chief, Lead-Zinc Br.
E. T. McKnight 4204 GSA
L. B. Moon
R. H. Mote
L. F. Strobel
T. Lyon
Files

Dmia 606

856

Date: May 3 1951
To: Otto Heres
time: 11:30 Rm. 3618

LANDON F. STROBEL

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 3 - 1951
1:10 P.M.
LANDON F. STROBEL
Executive Secretary

WASH DC 310 OK GA GA

DN 235 BUR MIN 5 EXXX T5 3 51 8 30
OTTO HERES BUR MINES
REURTELTYPE MAY 2 CARL PETERSON CLAUMS YOU INFORMED HIM IN WASGINGTON THAT HE WOUL D HAVE TO RESUBMIT DMA 363 GALTIE BOY BUT NOT DMA 606 HENRIETTAM. ALSO LATTER WOULD BE PROCESSED WITHOUT FIELD INVESTIGATION SINCE HE INDICATED WILLINGNESS AND ABILITY TO CONTRACT ON MATCHING FUND BASIS. ADVISE SI WE CAN GET IXXX ON WITH OTHER WORK.

P T ALLSMAN FOR J H EAST JR

END PLS ACK CL MSG RCD OK RTW

Denver, Colo.

MAY 3 1951

5

FILE COPY
SURNAME:

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

3268

ET McKnight
4204 GSA
McKnight
Hoppe
Mote

May 1, 1951

Mr. J. H. East, Jr., Bureau of Mines, 224 Customhouse, Denver, Colorado

We have seen no new application submitted by Peterson on DMA-606. In view of poor presental of first application we suggest he make new application on exploration form MF-103 which should expedite processing if approved.

Otto Herres

ETMcKnight:emp
G 5/1/51

OTTO HERRES, Chief
Lead-Zinc Branch

Copies to; J. H. East, Jr. CONFIRMATION COPY
Chief, Lead-Zinc Br.
E. T. McKnight
L. B. Moon
R. H. Mote
L. F. Strobel
T. Lyon
Files

DMA-606

DN 235 BUR MINES 4-30-51 9.45AM ~~RANDON F. STROBEL~~ X

DR. JAMES BOYD, ADMINISTRATOR A DEFENSE MINERALS ADMINISTRATION Mr. Herres
ATTENTION.. OTTO HERRES

C H PETERSON, SECRETARY, U. S. OIL AND DEVELOPMENT CORPORATION, DOCKET DMA 606, ADVISES COMPANY WILL PROVIDE $30,000 ON EXPLORATION CONTRACT, MATCHING FUND BASIS. PLEASE ADVISE STATUS OF APPLICATION. PETERSON DISCUSSED PROPOSITION WITH YOU LAST FRIDAY.

DMA-606

J H EAST JR

END ACK PLS LM
MSG RECD OK GS

Denver, Colo.

April 6, 1951

J. H. East,
Denver Station

Hon. Ed C. Johnson U.S.S.
Hon. E.D. Millikin, U.S.S.

letters to above re exploration aid to U.S. Oil & Development Corp., refer to Galtie Boy Mine - DMA 363 and Henrietta Mine - DMA 606

Correspondence filed on DMA 363 856

DMA - 606

856

PHONE CHERRY 1113

JAMES S. HENDERSON
ATTORNEY AT LAW
208-210 EQUITABLE BUILDING
DENVER 2, COLO.

April 3, 1951

Blue Bird Mining and Milling Company
c/o Charles H. Groves
P. O. Box 1920
Denver 1, Colorado

Gentlemen:

Confirming our several conferences of recent date with Mr. M. R. Jones and Mr. Charles H. Groves relative to the proposed lease of the Blue Bird mining properties in San Juan County to the U. S. Oil and Development Corporation of Denver, I am authorized, on behalf of the lessee, to accept the Agreement to Lease and Sell said properties, dated January 1, 1951, which you have heretofore submitted to us, provided, however, that such agreement shall be modified in the following particulars:

1. The royalty shall be a straight 10% on all ores.

2. The $500.00 monthly payments are to continue for the period June 15, 1951 to March 15, 1952, inclusive.

3. In the event payments made by the lessee in any one year exceed the required minimum, whether such payments are from royalties, or otherwise, such excess may, at theoption of the lessee, be applied to the minimum payments due in the next succeeding calendar year, but shall not, without the consent in writing of the lessor, then obtained, be carried over to apply on subsequent minimum payments accruing more than one year next succeeding the calendar year during which such excess shall have been paid by the lessee.

4. Maps and blue prints of the workings shall be furnished by the lessee to the lessor once each year.

5. The lessee shall be granted a reasonable discretion as to the manner in which the leased claims are to be developed, and shall not be bound by instructions for such development issued by the les-

ser. In the event of a difference of opinion as to the manner of development, such difference of opinion shall be adjusted by conference between the parties.

6. Inspections made by the lessor shall be made at such times and in such manner that they will not interfere with the operation and development of the property by the lessee.

Insofar as the original agreement is modified by this letter, the terms and conditions hereof shall control, and this letter, by reference, is hereby incorporated in and made a part of the original agreement.

Please indicate your acceptance hereof by attaching your signature hereto and return the signed copy to this office. Upon receipt thereof, we will forward you a signed copy of the original agreement, that your files may be complete.

Very truly yours,

U. S. OIL & DEVELOPMENT CORPORATION

By James S. Lindsay
Attorney

APPROVED AND ACCEPTED:

Blue Bird Mining and Milling Company

By Naomi H. Jones
April 18, 1951 SECRETARY

al

FILE COPY
SURNAME:

McKnight
Mote
Herres

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

J. H. East

March 28, 1951

Memorandum

To: Executive Officer of Field Team, Region IV
Through: Coordinating Committee
Director, Supply Division

From: Lead-Zinc Branch, D.M.A. Re: Docket DMA-606

Subject: Application of
U.S. Oil & Development Corporation
Robert C. Brown, President
Mercantile Bldg., 15th and Arapahoe Streets
Denver 2, Colorado

Henrietta Mine
San Juan County, Colorado

Commodity: Lead, Zinc

Review of subject docket reveals the following pertinent facts:

Mine was operated from 1903-1907, producing about $100,000, the values being chiefly in gold, silver, and copper, but no details as to the percentage of base metals in the ore are available. Reports of this time state that 300,000-400,000 tons of ore are blocked out, but the grade is not given other than independent estimates that the Henrietta vein contains 4-5% copper. Considerable development work was done at the mine for several months prior to October 1920, and one report (by E. W. Walter) states that 3 cars of "black copper" ore were shipped during this period, one of them averaging 16½ per cent copper. Smelter settlement sheets with the docket material show several shipments of gold, silver, and copper ore during 1918-1921, but some of these settlements are for ore from mines other than the Henrietta.

In 1940-43, a group of Denver operators cleaned out the tunnel and crossed the Surprise vein about 1600 feet from the portal, which is reported to have contained good lead and zinc values. Shipments at this time amounted to about 2 cars. This operation ran out of money before it reached the Henrietta vein. There has been no later production. The reserves claimed for the Henrietta vein are stated to be largely inaccessible at present.

According to W. S. Burbank of the Geological Survey, the ores of this general area are quartz veins commonly high in pyrite,

Docket 606

B

with scattered bodies or chimney-like shoots of higher grade base metal sulfides with silver and gold. The ores are complex, and may locally predominate in lead, zinc, or copper.

Applicant requests "exploration and mining loan" of $57,529 to rehabilitate mine, provide equipment, and pay all costs of placing the mine in production, including wages for 3 months, and manager's salary for 5 months. The payroll for 4 months of production is also included in the sum requested. Applicant believes that production can be started in a maximum of 4½ months. Ore will be milled at the Shenandoah Dives mill, 8½ miles away.

Recommendation

It appears that this application will have to be considered under the exploration program, as no developed reserves are accessible and the old 1907 reports of reserves are inadequate as to character and grade. It will require most of the expenditures requested in order to open up the ore for inspection. The project appears worthy of exploration as a lead, zinc, or copper exploration on the basis of what is independently known of the mineral deposits of this general area.

If the applicant is willing to go along on sharing the expenses under the exploration program, there may be certain engineering phases of the proposal that might have to be investigated before the project is approved, such as, for example, consideration of costs of opening the No. 7 level and such higher levels as appear justified from both geologic and practical engineering viewpoints. The docket is forwarded in advance of release of the "ground rules" on the exploration program, on the assumption that the field office can orally explain enough of the exploration program to determine whether the applicant wants to proceed under this program. Application will warrant no further consideration if applicant does not want to put up his half of the expenses, though he may want to propose a modification of his original proposal.

OTTO HARRES, Chief
Lead-Zinc Branch

Approved:
DMA Coordinating Committee

_____
Chairman

_____
L. B. Moon

_____
Olaf N. Rove

ETMcKnight:emp G 3/28/51
Copies to: Chief, Lead-Zinc Br.
2 copies to J. H. East
Exec. Officer, Region IV
E. T. McKnight 4204 GSA
L. B. Moon
R. H. Mote
L. F. Strobel
C. O. Mittendorf
Files

Form MF-103
(April 1951)

U. S. DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Budget Bureau No. 42-R1035.
Approval expires 6-30-51.

APPLICATION FOR AID FOR AN EXPLORATION PROJECT PURSUANT TO MINERAL ORDER 5, UNDER DEFENSE PRODUCTION ACT OF 1950

DO NOT FILL IN THIS BLOCK

Docket No. Dma-606X

Date received 5/25/51

Participation

U.S. Oil and Development Corporation
805-11-16 Tomentillo Bldg.,
15th & Arapahoe Streets
Denver 2, Colorado.

Name and address of applicant

Date January 18, 1951

FILL IN THIS BLOCK

Date of application January 18, 1951

Estimated cost $57,500.00

Mineral or metal Lead, Zinc & Copper mining

Percentage of Government participation 60%

Location of mine 7-1/2 miles North of Silverton

See attached application.

Date of filing MF-100

DMA Docket Number, if available 606 X

INSTRUCTIONS

Read Mineral Order 5, Regulations Governing Government Aid in Defense Projects, before completing this application. Submit four signed copies of the application to Defense Minerals Administration, Department of the Interior, Washington 25, D. C., or to the nearest field executive officer thereof, with your name and address on each sheet of the application and all accompanying papers. If any question is inapplicable, or if you cannot answer it, so state on the form. Where the space provided for answer is insufficient, answer on a separate sheet, annex it to the application form, and refer to it in space for answer. If the application is approved, you will be presented with an exploration project contract on Form MF-200, for your signature.

THE APPLICANT

*1. Is applicant an individual, partnership, or corporation?
*2. If a partnership, state names and addresses of partners.
*3. If a corporation, state names and addresses of officers, directors, and five largest stockholders.
*4. Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who will manage the project.
*5. Are you the owner or the lessee of the property?
6. If owner, state what claims, liens, or encumbrances, if any, are against the property.
7. If lessee, attach a copy of the lease and state if it is in good standing.

NOTE.—It will be necessary to procure and attach to the exploration project contract agreements of claimants, lienors, encumbrances and lessors subordinating their interests in the property to the interest of the Government under the contract.

8. Furnish current financial statement, showing assets and liabilities, and a profit and loss statement.
9. How much money is applicant prepared to invest in proposed project? Is it sufficient to pay your part of the cost of the project as detailed in question 23 of this application form, in accordance with the regulations on Government participation (Section 9 of Mineral Order 5)?

*If you have already answered these questions on MF-100, you are not required to answer the questions for this application.

16—64067-1

THE PROPERTY

10. (*a*) Give a description of the real property that will be in any way involved in the exploration project, including any existing mine or operating property.
    (*b*) Give the legal description of the exact parcel, plot, or area upon which the exploration is to be conducted.

    NOTE.—If both areas are the same, so state. The only obligation to repay the Government is from the net earnings from any commercial discovery made in the area specified in (*b*) above in which the exploration is to be conducted, and the expenditure of funds which may be charged as costs of the project must be limited to that area or to work necessary to perform the exploration in that area.

*11. State the present and former names of the property, if any.

*12. State, in detail, the location of the property with reference to towns, railroads, roads, shipping points, including distances and directions and kinds and conditions of roads.

*13. State source and quantity of water available for operations and its sufficiency at all seasons.
State amount of power to be used, rate per hour or other cost, and source.

*14. Describe any existing useable facilities, equipment, buildings, or structure now on the property that will be devoted to the exploration work.

15. State in detail how the ore could be shipped and how and where milled.

*16. History:
    (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for any past suspensions of operations.
    (*b*) State briefly the known history and production of adjoining and neighboring properties.
    (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.

*17. Production:
    (*a*) If mine is in production, furnish the following information:

	Tons per day	*Grade or analysis*	*Cost per ton*	*Net value per ton*
(1) Mining				
(2) Milling				
(3) Shipped or sold				

*18. Ore or mineral reserves: (If property is or has been operating.)
    (*a*) Describe the ore or mineral deposits briefly.
    (*b*) Submit available maps and assay data.
    (*c*) Give estimated tonnage and grade of each class of ore reserves.

19. State any conditions or circumstances regarding the property not sufficiently brought out by the foregoing questions.

THE EXPLORATION

20. For what mineral or minerals and for what types of deposits and ores will the exploration be conducted?

21. Describe briefly, but concisely, the proposed work and the estimated time required to complete it.

    NOTE.—The Government will not participate in a project that will require more than 2 years to complete.

22. Furnish statement of the geological basis of the project with particular emphasis on factors leading the operator to expect the finding of commercial ore bodies. This statement should be accompanied by supporting maps such as geological maps, maps of the proposed openings and assay maps, sample lists, and other pertinent data.

THE REQUIREMENTS AND COSTS

23. Tabulate in the form of an itemized statement with a sum for each item the estimated requirements and costs of the project so that the total will give the estimated cost of the project in which the Government will participate, as follows:
    (*a*) Labor, by numbers and classes (miners, muckers, millmen, etc.), with wages of each.
    (*b*) Supervisors, by numbers and positions, with salaries of each.
    (*c*) Cost of necessary repairs to existing facilities, structures, and buildings.
    (*d*) Cost of necessary installation or construction of additional facilities, structures, and buildings.
    (*e*) Cost of items of equipment, not now owned by the applicant which must be purchased for operations at a cost of $50 or more each.
    (*f*) Cost of rental for equipment which the operator proposes to rent.
    (*g*) Rental value of items of equipment which the operator now owns and which will be devoted to the work.
    (*h*) Cost of materials and supplies, including items of equipment costing less than $50 each.
    (*i*) Cost of power, water, utilities, and any other items not provided for above.

24. Furnish a time schedule of the project, stated in terms of months after project is approved, showing progress expected to be accomplished and the money expected to be spent.

CERTIFICATION

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

U.S. Oil and Development Corporation
(Name of company)

By [signature]
(Signature of authorized official)

May 8 1951
(Date)

Secretary
(Title)

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

*Same as footnote on page 1.

16—64067-1 U. S. GOVERNMENT PRINTING OFFICE

MF-202

DMA-606

Henrietta file

LANDLORD'S SUBORDINATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned is the owner in fee simple of that certain parcel of ground in the county of San Juan, State of Colorado, described in a certain Exploration Project Contract dated ~~January 12~~ June 27, 1951, between U.S. OIL AND DEVELOPMENT CORPORATION, the Lessee of said property, and the United States of America;

NOW, THEREFORE, the undersigned, as Lessor of said property under lease dated January 1, 1951, does by these presents subordinate all of his right, title, and interest under the provisions of said lease to the right, title, and interest of the United States of America under the provisions of said Exploration Project Contract, and agrees that the lien and claim of the United States of America under the provisions of said contract shall be prior to the undersigned's rights to rentals or royalties under the terms of said lease; and

The undersigned further agrees that if said leasehold interest should be surrendered or if said lease should terminate at any time prior to the expiration of the rights of the United States of America under said Exploration Project Contract, the undersigned shall assume and does hereby assume all of the obligations of the Lessee under said Exploration Project Contract to make repayment to the United States of America according to the terms of said contract; and

The undersigned agrees to commit no act, nor assert any claim under judicial process or otherwise that may contravene or conflict with the prior lien and claim of the United States of America under the provisions of said Exploration Project Contract.

This undertaking and covenant shall be binding upon the heirs, successors, and assigns of the undersigned.

Dated this 21st day of June, 1951

BLUE BIRD MINING AND MILLING COMPANY

By: Naomi H. Jones

Secretary-Treasurer

U. S. GOVERNMENT PRINTING OFFICE 940768

MF-[illegible]

Henrietta file

LANDLORD'S SUBORDINATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned is the owner in fee simple of that certain parcel of ground in the county of San Juan, State of Colorado, described in a certain Exploration Project Contract dated ~~January 19, 1951~~ June 27, 1951 FJ, 195__, between U. S. OIL AND DEVELOPMENT CORPORATION, the Lessee of said property, and the United States of America;

NOW, THEREFORE, the undersigned, as Lessor of said property under lease dated January 1, 1951, does by these presents subordinate all of his right, title, and interest under the provisions of said lease to the right, title, and interest of the United States of America under the provisions of said Exploration Project Contract, and agrees that the lien and claim of the United States of America under the provisions of said contract shall be prior to the undersigned's rights to rentals or royalties under the terms of said lease; and

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Dated this 21st day of June, 195[illegible]

BLUE BIRD MINES AND MILLING COMPANY

By: Naomi H. Jones
Secy-Treas.

U. S. GOVERNMENT PRINTING OFFICE 940768

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BY PICK
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PICK PHOTOGRAPH & BLUEPRINT CO
1615 - 17th ST. DENVER, COLO
CERTIFIED ON REQUEST

Form MF-103
(April 1951)

U. [illegible]RTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Budget Bureau No. 42-R1035.
Approval expires 6-30-51.

APPLICATION FOR AID FOR AN EXPLORATION PROJECT PURSUANT TO MINERAL ORDER 5, UNDER DEFENSE PRODUCTION ACT OF 1950

DO NOT FILL IN THIS BLOCK

Docket No. Dma-606 X

Date received 5/25/51

Participation

U.S. Oil and Development Corporation
205-11-16 Mercantile Bldg.,
15th & Arapahoe Streets
Denver 2, Colorado.

Name and address of applicant

Date January 12, 1951

FILL IN THIS BLOCK

Date of application January 12, 1951

Estimated cost $57,529.00

Mineral or metal Lead, Zinc & Copper mining

Percentage of Government participation 50%

Location of mine 7-1/2 miles North of Silverton

See attached application.

Date of filing MF-100

DMA Docket Number, if available 606 X

INSTRUCTIONS

Read Mineral Order 5, Regulations Governing Government Aid in Defense Projects, before completing this application. Submit four signed copies of the application to Defense Minerals Administration, Department of the Interior, Washington 25, D. C., or to the nearest field executive officer thereof, with your name and address on each sheet of the application and all accompanying papers. If any question is inapplicable, or if you cannot answer it, so state on the form. Where the space provided for answer is insufficient, answer on a separate sheet, annex it to the application form, and refer to it in space for answer. If the application is approved, you will be presented with an exploration project contract on Form MF-200, for your signature.

THE APPLICANT

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*2. If a partnership, state names and addresses of partners.
*3. If a corporation, state names and addresses of officers, directors, and five largest stockholders.
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6. If owner, state what claims, liens, or encumbrances, if any, are against the property.
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16—64067-1

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*13. State source and quantity of water available for operations and its sufficiency at all seasons.
State amount of power to be used, rate per hour or other cost, and source.

*14. Describe any existing useable facilities, equipment, buildings, or structure now on the property that will be devoted to the exploration work.

15. State in detail how the ore could be shipped and how and where milled.

*16. History:
    (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for any past suspensions of operations.
    (*b*) State briefly the known history and production of adjoining and neighboring properties.
    (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.

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    (*a*) If mine is in production, furnish the following information:

	Tons per day	*Grade or analysis*	*Cost per ton*	*Net value per ton*
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(2) Milling				
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19. State any conditions or circumstances regarding the property not sufficiently brought out by the foregoing questions.

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21. Describe briefly, but concisely, the proposed work and the estimated time required to complete it.

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    (*b*) Supervisors, by numbers and positions, with salaries of each.
    (*c*) Cost of necessary repairs to existing facilities, structures, and buildings.
    (*d*) Cost of necessary installation or construction of additional facilities, structures, and buildings.
    (*e*) Cost of items of equipment, not now owned by the applicant which must be purchased for operations at a cost of $50 or more each.
    (*f*) Cost of rental for equipment which the operator proposes to rent.
    (*g*) Rental value of items of equipment which the operator now owns and which will be devoted to the work.
    (*h*) Cost of materials and supplies, including items of equipment costing less than $50 each.
    (*i*) Cost of power, water, utilities, and any other items not provided for above.

24. Furnish a time schedule of the project, stated in terms of months after project is approved, showing progress expected to be accomplished and the money expected to be spent.

CERTIFICATION

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

U.S. Oil and Development Corporation
(Name of company)

By Jul H Pierson
(Signature of authorized official)

May 8 1951
(Date)

Secretary
(Title)

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

*Same as footnote on page 1.

16—64067-1 U. S. GOVERNMENT PRINTING OFFICE

U.S. OIL & DEVELOPMENT CORPORATION

Producers of Oil, Lead & Zinc

Suite 205-11-16 Mercantile Building

Denver 2, Colorado

May 18, 1951.

Mr. Paul T. Allsman,
Chief, Mining Division,
U.S. Bureau of Mines,
Region IV,
224 New Customehouse,
Denver 2, Colorado.

RE: Exploration Loan
Henrietta Mine, DMA, Docket 606

Dear Mr. Allsman:

In reply to your letter of May 10th, 1951, we are submitting the following additional information.

Item 3. The officers of the U.S. Oil and Development Corporation are:

President, Robert C. Brown, 4307 Tejon, Denver, Colorado.
Vice-president, Carl M. Peterson, 2849 Milwaukee, Denver, Colorado.
Secretary, Carl H. Peterson, 4307 Tejon, Denver, Colorado.
Treasurer, Carl M. Peterson, 2849 Milwaukee, Denver, Colo.

Directors:

Robert C. Brown, 4307 Tejon, Denver, Colorado.
Carl M. Peterson, 2849 Milwaukee, Denver, Colorado.
Carl H. Peterson, 4307 Tejon, Denver, Colorado.

The five largest stockholders are:

J. M. Peterson, 4307 Tejon, Denver, Colorado.
F. E. VanDeman, P.O. Box 502, Manitou Springs, Colorado.
Dr. Harry G. Knapp, Canon City, Colorado.
Walter W. Bentley and Gertrude H. Bentley, 215 East 11th Ave., Denver, Colorado.
V. H. Steele Estate, c/o 209 Equitable Bldg., Denver, Colo.

Item 10 (a) The mining claims involved in this exploration will be the Henrietta group of mines consisting of 15 claims, of which 10 are patented and 5 are unpatented. These are shown in pink on the attached map. The actual tunnel that will be developed is on the Henrietta mine U.S.M.S.#15526A and

the Lizzie U.S.M.S. #15520 and Mineral King U.S.M.S. #2051.

(b) The Henrietta #7 tunnel will be the one where the project is to be located. The portal starts on the Mineral King mine U.S.M.S. #2051 and runs some distance on the Mineral King #2051 then crosses the Lizzie mine U.S.M.S. #15520 and extends for a short distance in the Humbolt mine U.S.M.S. #15526A. At the west edge of the Lizzie mine U.S.M.S. #15520 there is a tunnel leaving the main tunnel and runs for some 900 feet almost to the south end of the Lizzie mine U.S.M.S. #15520. This tunnel is shown in red on the attached map.

Referring to 3A-1 of the application there is a map showing the Henrietta group of claims in Section 19, Range 8 West and township 42 North being located in the Red Mountain mining district approximately seven miles almost due north of Silverton, Colorado. See the attached map.

Item 13. The source of water will be Prospect Gulch which runs some 500 feet from the #7 portal. This water is available at all seasons of the year in quantities in excess of our needs. The power line is in to the Lark Mine which is some 1500 feet from the #7 tunnel of the Henrietta portal. This line connects with the Southern Colorado Power Company's high lines and will be available in any amounts needed at the prevailing rates for that district. We will have no difficulty in connecting with the Lark line as that line is owned by us.

Item 22. In our application we included reports from the following mining engineers: D. Umbell index #5-1; Benjamin Sadtler index #5-2; E. W. Walter index #5-4, and extracts from U.S.G.S. Bulletin #181 and #182, pages 257-258 index #5-5.

See settlement sheets and assays, index #4-1 to #4-20 which shows assays of ore that has been taken from the Henrietta mines. We do not have any assay maps except some crude drawings made by the mine superintendent in October 1943. These are shown in the application as items number 3A-4, 3A-5, 3A-6, 3A-7, 3A-8.

We are enclosing a map of the Henrietta group which is drawn to the scale of 300 feet to the inch and has the tunnels shown on the same scale. The #7 tunnel on this map will be shown in red.

Item 23(e) Referring to cost of items of equipment. We have purchased for $5500 a $9000 compressor, leyners, drill steel and other equipment valued at $14,000. We have made a $2000 down payment on this equipment. Some of this equipment is brand new and other items are slightly used but in perfect working condition and as good as new for practical working purpose.

U. S. Oil & Development Corporation

We figure that we have made enough savings on these items to offset any advnaces that may be above the items that are shown in our list in the application. For this reason we are not submitting a new list of equipment as requested in your letter.

Very truly yours,

U.S. OIL & DEVELOPMENT CORPORATION

By Carl H. Peterson

Carl H. Peterson, Secretary

U. S. OIL & DEVELOPMENT CORPORATION
Producers of Oil, Lead & Zinc
Suite 205-11-16 Mercantile Building
Denver 2, Colorado

June 4, 1951

U. S. Department of the Interior,
Defense Minerals Administration,
Washington 25, D.C.

RE: Docket DMA-606
Attention: Otto Herres.

Dear Mr. Herres:

Replying to your letter of June 1st regarding Docket No.DMA-606 referring to the second paragraph about the revision of question number 23. We have gone over this list of requirements and we feel that the item for pay-roll production for 4 months or 600 shifts at $12.00 or $7200.00; the item for office expense of $1750, and the item for Carl H. Peterson, manager, for $750 should be deleted from 3-C leaving a total of $47,829.00

In answer to the third paragraph relative to the work program, item No.21 which requests concise description of the work proposed under the program, this work will consist of cleaning out, timbering, laying track, airlines, and air vent lines the full length of the No. 7 tunnel. [=1600ft, E.T.McK]

We assume that there will probably be some work needed to be done on the up-rises in order to get the proper ventilation in the No. 7 tunnel. This will have to be determined after we have gotten in the tunnel far enough to see what the ventilation problem is. If you will refer to Mr. D. Umbell's report of August 23rd, 1906, second paragraph, which reads as follows:

> "All of the workings of the Henrietta from No.7 up to No. 1 and the surface, are connected and in good shape to handle everything through the timbered up-raise, or rather down-take , connecting all the upper levels with the working level No.7."

We are planning to drift on the Surprise vein, which is on No.7 level, enough to determine the value of the ore and also the extent of the ore body. This will probably cost us about $35 per foot and perhaps will take 100 feet to determine what we wish to know, therefore please ad $3500 to the $47,829 which will make a total of $51,329.

Trusting this information will enable you to process our application, we are

Very truly yours,
U.S. OIL & DEVELOPMENT CORPORATION

By Carl H. Peterson
Carl H. Peterson, Secretary

CHP:w

JUN 5 1951

AGREEMENT TO LEASE AND SELL
PATENTED AND UNPATENTED MINING CLAIMS

THIS AGREEMENT, Made and entered into this 1st day of January, A.D., 1951, by and between BLUE BIRD MINING AND MILLING COMPANY, a Corporation organized and existing under and by virtue of the laws of the State of Colorado and having its principal office in the City and County of Denver, State of Colorado, Party of the First Part, hereinafter referred to as Lessor, and U. S. OIL & DEVELOPMENT CORPORATION, a Corporation organized and existing under and by virtue of the laws of the State of Colorado, and having its principal office in the City and County of Denver, State of Colorado, Party of the Second Part, hereinafter referred to as Lessee:

W I T N E S S E T H; THAT

The Lessor for and in consideration of the payments, royalties, covenants and agreements hereinafter reserved and made and by the said Lessee to be paid, kept and performed, hereby agrees to sell and convey unto the Lessee all of its right, title and interest in and to the following patented and unpatented mining claims lying and being in the Red Mountain Mining District in the County of San Juan, State of Colorado, to wit:

GALENA, U.S.M.S. #1573; Berdilla, U.S.M.S. #1524; Blackstone, U.S.M.S. #1333; Del Mino Millsite, U.S.M.S. #15526B; Henrietta, U.S.M.S. #15526A; Home Run, U.S.M.S. # 15526A; Humboldt, U.S.M.S. #15526A; Lizzie, U.S.M.S. #15520; Mineral King, U.S.M.S. #2051; Mineral Queen U.S.M.S. #1622; Narrow Gauge, U.S.M.S. #15526A; Game Cock, U.S.M.S. #19812; Also the following unpatented locations: Wilson, Gulch, Silver King, Juanita, Joe and John, Revenue, Paymaster, Commodore, J. C. Sibley, Tetrahedrite #1, Tetrahedrite #2, C.L.M., U. & I., Moodie #1 and Moodie #2; Also all its right, title and interest in the following patented claims: Prosperity U.S.M.S. #18621 and LaCross U.S.M.S. #18620.

The Lessee agrees to pay unto the Lessor as the purchase price of said above described patented and unpatented mining claims the full

sum of Sixty Thousand and No/100 Dollars($60,000.00) payable in the following manner, to wit:

The Lessee shall pay unto the Lessor Royalties of Ten Per Cent (10%) on all ores milled and Fifteen Per Cent (15%) on all ores shipped, said royalties to be paid on net returns from smelters and/or mills and/or bonuses from the Federal Government or any instrumentality thereof; all royalties due Lessor on account of ores shipped to mills or smelters are to be paid direct to the Lessor by said mills and/or smelters.

Within thirty(30) days after the Lessee has received an aggregate of Twenty-five Thousand and No/100 Dollars($25,000.00) from smelter and/or mill returns and/or bonuses from the Federal Government or any instrumentality thereof, the Lessee agrees to pay unto the Lessor the further sum of Five Hundred and No/100 Dollars($500.00); within thirty (30) days after the Lessee has received an aggregate of Fifty Thousand and No/100 Dollars($50,000.00) from any or all of such sources, the Lessee agrees to pay unto the Lessor the further sum of Five Hundred and No/100 Dollars($500.00); within thirty (30) days after the Lessee has received an aggregate of Seventy-Five Thousand and No/100 Dollars ($75,000.00) from any or all of such sources, the Lessee shall pay unto the Lessor the further sum of Five Hundred and No/100 Dollars ($500.00); within thirty(30) days after the Lessee has received an aggregate of One Hundred Thousand and No/100 Dollars($100,000.00) from any or all of such sources, the Lessee agrees to pay unto the Lessor the further sum of One Thousand and No/100 Dollars($1,000.00); thereafter Lessee agrees to pay unto the Lessor in addition to all royalties hereinabove provided the sum of Five Hundred and No/100 Dollars($500.00) out of each Twenty-Five Thousand and No/100 Dollars($25,000.00) over and above the sum of One Hundred Thousand and No/100 Dollars($100,000.00) received by the Lessee from any or all of such sources as aforesaid until all payments provided herein(including royalties, property and

haulage rentals) paid by the Lessee unto the Lessor equal the stipulated purchase price of Sixty Thousand and No/100 Dollars($60,000.00).

The Lessee hereby covenants and agrees to pay unto the Lessor a monthly property rental for said demised premises in the amount of Five Hundred and No/100 Dollars ($500.00) for the period June 15,1951, to February 15, 1952, and a monthly property rental in the amount of Seven Hundred Fifty and No/100 Dollars($750.00) each month thereafter until the full purchase price in the amount of Sixty Thousand and No/100 Dollars ($60,000.00) is fully paid. The said monthly property rentals to be paid on or before the 15th day of each and every calendar month for the month preceding that in which such payment is made, the first payment in the amount of Five Hundred and No/100 Dollars($500.00) to be due and payable hereunder on July 15, 1951.

The Lessee further agrees to pay unto the Lessor a haulage rental of twenty cents($0.20) per ton of two thousand(2,000) pounds of ore transported through, over or across the premises herein demised from other land which the Lessee may own, possess or in which it may have an interest.

It is understood and agreed that all royalties herein specified and all haulage rentals paid for ore transported through, over or across the demised premises during any month shall be credited as payment of said property rentals due for said month, it being understood and agreed that royalties and haulage rentals shall be due and payable to the Lessor on the 20th day of the calendar month for the preceding fiscal month, using the 15th day of the calendar month as the first day of the fiscal month; PROVIDED, HOWEVER, that nothing herein contained shall be construed to relieve the Lessee from the payment of said monthly property rentals in the various amounts as stated above in the event royalties and haulage rentals as hereinbefore mentioned do not equal said property rental amount for each month.

The Lessee hereby covenants and agrees to conduct its operations in a good and workmenlike manner in order to recover as much of the ore available therein as possible in keeping with good mining practice, and to conduct its operations in such a manner as to prevent the loss of ore in any vein by reason of mining ore from one or more of the other veins. The Lessee hereby covenants and agrees that it will lay out its workings in the demised premises in a manner approved by the Lessor and further agrees that it will comply with instructions issued by the Lessor pertaining to development of said claims and other matters in accordance with proper and safe mining practices.

Lessor, or any agent so designated by it, shall have the right at all reasonable times to enter upon and into all parts of the said demised premises for the purpose of inspection, sampling, surveying, etc., and the Lessee will render unto the Lessor, its agents and representatives, all the assistance in its power for such purposes.

Lessee agrees to furnish to Lessor free of charge in January and July of each year during the continuance of this lease maps or blue prints in duplicate made in accordance with the mining laws of the State of Colorado and instructions of Lessor disclosing the surface and underground workings of the demised premises. The Lessee agrees that in the event said maps or blue prints made in accordance with the mining laws of the State of Colorado and instructions of lessor are not furnished the Lessor as provided above, the Lessor may at its option have surveys and maps made of the Lessee's workings in the demised premises and the Lessee agrees to reimburse the Lessor for all expense in connection therewith. Lessee further agrees that it will furnish Lessor with any and all copies of analyses taken or obtained by the Lessee.

Lessee covenants and agrees that it will perform the necessary assessment work in the amount and within the time specified by law to prevent forfeiture of all of the demised unpatented claims and that it will not later than the 1st day of June in each calendar year during

the continuance of this Agreement furnish to Lessor a statement and account of the work, labor and materials expended upon said unpatented claims subsequent to the preceding first day of July.

IT IS UNDERSTOOD AND AGREED, that Lessee shall pay all taxes on said demised premises including but without in any manner limiting the generality of the foregoing any tax on production or Government gold or silver tax regardless of how levied or charged when the same are by law due and payable during the life of this agreement including real property taxes for the year 1950 and subsequent thereto.

Lessee agrees to conform to any law or laws which may hereafter be enacted by the State of Colorado or by the Government of the United States of America pertaining to the operation of metalliferous mines or in any way effecting this Agreement, it being understood and agreed that the Lessee shall conform in every way necessary to all present and future laws and save harmless the Lessor from and on account of any claims or demands arising directly or indirectly out of its operations on the demised premises.

Lessee agrees to occupy and hold all veins, spurs, feeders, cross lodes, parallel lodes or mineral deposits of any kind which may be discovered by the said Lessee, or any person or persons working under it in any manner, but working within or on the described premises, as the property of the Lessor and a part of the premises demised and to not permit or allow any person or persons not in privity with the parties hereto to take, and/or hold possession of the said premises or any part thereof under any pretense whatsoever. The Lessee does not agree to protect the legal title to any of the property described herein should controversy or litigation arise with respect thereto, nor shall Lessor be required except at its election to defend any action arising out of disputes as to apex rights.

Lessee covenants and agrees to conduct its operations in all

manner and respects in accordance with law; that it will save harmless the Lessor of and from all claims and demands of whatsoever kind or nature for or on account of any act or omission in the conduct of its operations, directly or indirectly in connection therewith; that it will at all times comply with any and all Workmen's Compensation or Occupational Disease Disability laws of the State of Colorado and maintain adequate insurance under those laws, submitting to the Lessor its policy or contract of insurance for approval as requested so to do. Any act or omission, whether caused by the Lessee or not, which places such policy or contract of insurance in jeopardy shall be cause for immediate cancellation of this agreement.

Lessee agrees that no lien of any kind shall be created or suffered to attach or be in any manner created by said Lessee upon or against said premises or any part thereof. Lessee shall keep and maintain posted at all times, in a conspicuous place near each and every entrance to the mine, and upon the principal buildings, a notice in clear and legible characters, in substance, as follows:

"NOTICE

"Notice is hereby given to all parties performing labor or furnishing skill, materials, machinery or other fixtures or supplies of any kind in, to, or for the use of the Lessee upon any part or portion of this leased mining property, being a part on which this notice is posted, that the undersigned, the owner of the property, shall not be responsible for any labor performed, or any skill, materials, machinery, fixtures or supplies of any kind furnished to or for the benefit of the Lessee, nor shall any interest of the owner be subject to any lien for the same, and all persons are hereby notified that these premises and the contiguous claims have been and are now leased to U.S. Oil & Development Corporation, of Denver, Colorado, to whom all persons must look for any compensation and pay.

"Dated this 1st day of January, A.D., 1951.

"Blue Bird Mining and Milling Company

By N. H. JONES
Secretary "

Time is the essence of this Agreement.

It is understood and agreed that each of the foregoing conditions, obligations or covenants required of the Lessee is necessary for the proper enjoyment of both parties in and to this Agreement and that should Lessee fail to keep any covenant, condition or obligation as hereinbefore set forth then, in that event, the said Lessor may on giving ten(10) days' notice in writing addressed to the Lessee at Denver, Colorado, declare this Agreement of Lease and Sale forfeited unless within said ten(10) days' period Lessee shall have done and performed each and every obligation, covenant or condition required of it to the date of said Notice and in the event of such cancellation or forfeiture said Lessor shall retain all payments made as liquidated damages and shall have the right to re-enter said premises and dispossess said Lessee or any person or firm holding by, through or under it using such force as may be necessary so to do and all rights hereby granted to the Lessee shall be terminated.

Subject to the foregoing provisions and conditions this Agreement shall enure to the benefit of and be binding upon the successors or assigns of the respective parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed in duplicate the day and year first herein set forth.

BLUE BIRD MINING AND MILLING COMPANY

ATTEST:

Naomi H. Jones
Secretary.

By William L. Vandevil
President.

U. S. OIL & DEVELOPMENT COMPANY

by Robert C. Brown

ATTEST:

Ted Stevenson
Secretary.

By Ted Stevenson
President

Nov 23, 1955

I Comments on DMA 606

1. Consent to lien good only for 12, not 14, years
2. Contract terminated by Amdmt 12 as of beginning of June 4, 1953, not Sept 1, 55. Hence costs ~~since~~ for June 4, 53 and thereafter are not payable and should be recouped.
3. Letter to Blue Bird Mining and Milling Co should explain its liability, to extent of its interest in the land and to extent of its royalty interest under the lease. Note that Blue Bird has cancelled the lease. Note that pseudo-certification has been made.

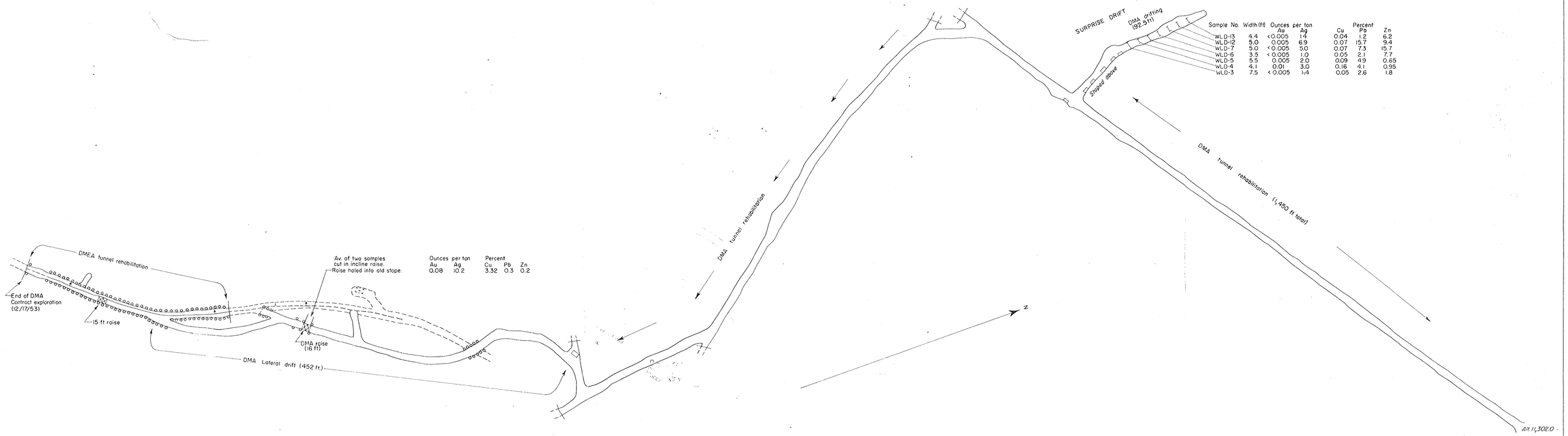
(unless date of June 4, 53 is amended to Sept 1, 55 because of mutual mistake → amendments and 12 of Dec 28, 1953 which is date officially requested by Pt when lease was last amended).

II Comments on DMEA 1870

1. Consent to Lien good only for 10, not 13, years
2. Valuation of $641.79 for property is correct only if no additional property has been purchased since March 9, 1954
3. Since U & I, Gulch, Paymaster, Revenue and Commodore claims have been relocated by someone else, the Government's lien on these properties has become dissipated and disappeared, as of the effective date of the relocations (which date does not appear of record)

Same comment as item 3 in I above

Thomas



Sample No.	Width (ft)	Ounces per ton Au	Ag	Percent Cu	Pb	Zn
WLD-13	4.4	<0.005	1.4	0.04	1.2	6.2
WLD-12	5.0	0.005	6.9	0.07	15.7	9.4
WLD-7	5.0	<0.005	5.0	0.07	7.3	15.7
WLD-6	3.5	<0.005	1.0	0.05	2.1	7.7
WLD-5	5.5	0.005	2.0	0.09	4.9	0.65
WLD-4	4.1	0.01	3.0	0.16	4.1	0.95
WLD-3	7.5	<0.005	1.4	0.05	2.6	1.8

FIGURE 3— PLAN AT 7TH LEVEL WORKINGS SHOWING LOCATIONS OF SAMPLES, ASSAYS AND WORK COMPLETED. HENRIETTA MINE, U.S. METALS CORPORATION, SAN JUAN COUNTY, COLORADO

40 20 0 40 Feet

NO 7 LEVEL

SCALE 1" — ~~60~~ 74.9 FT.

Raise

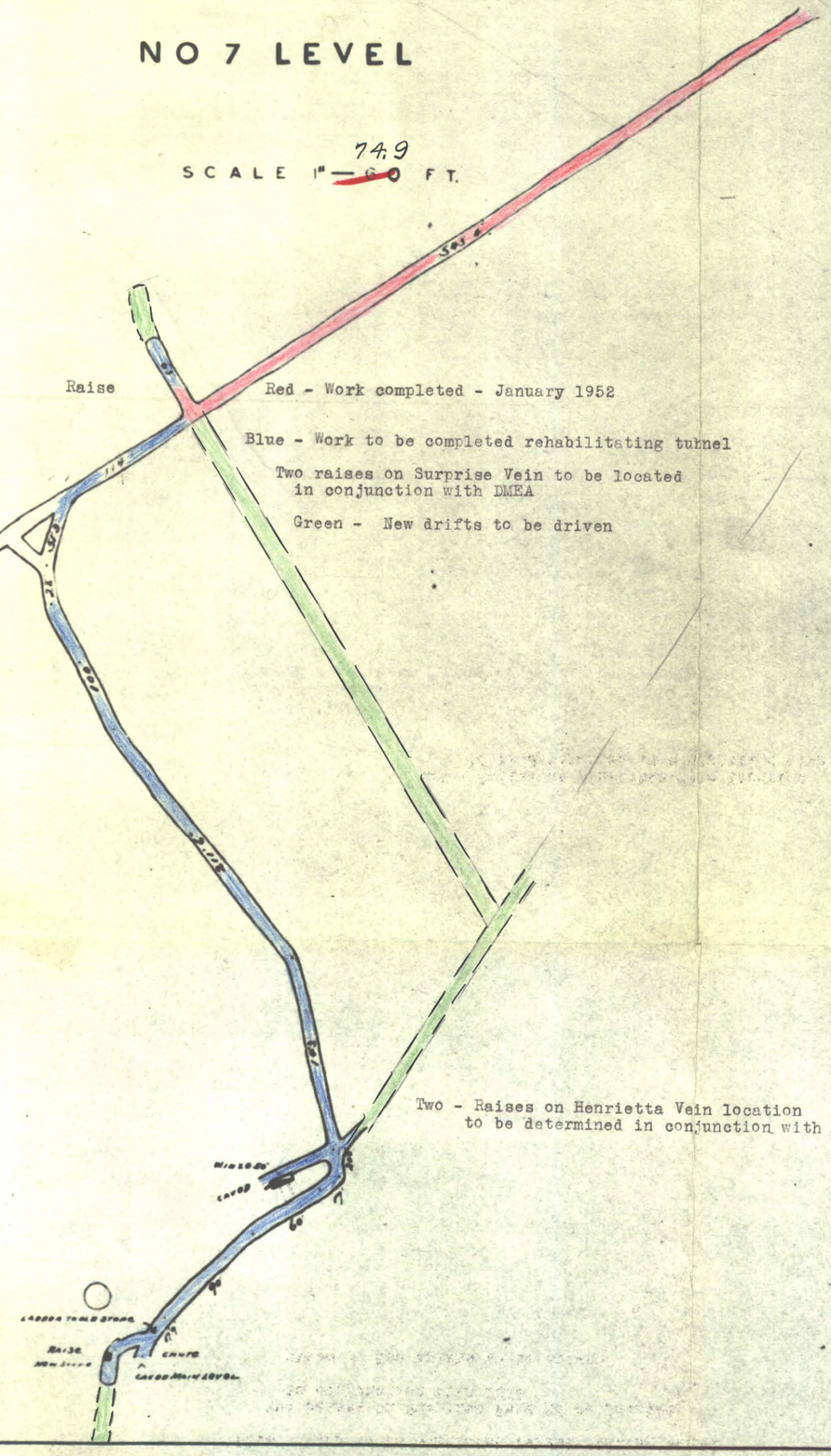
Red - Work completed - January 1952

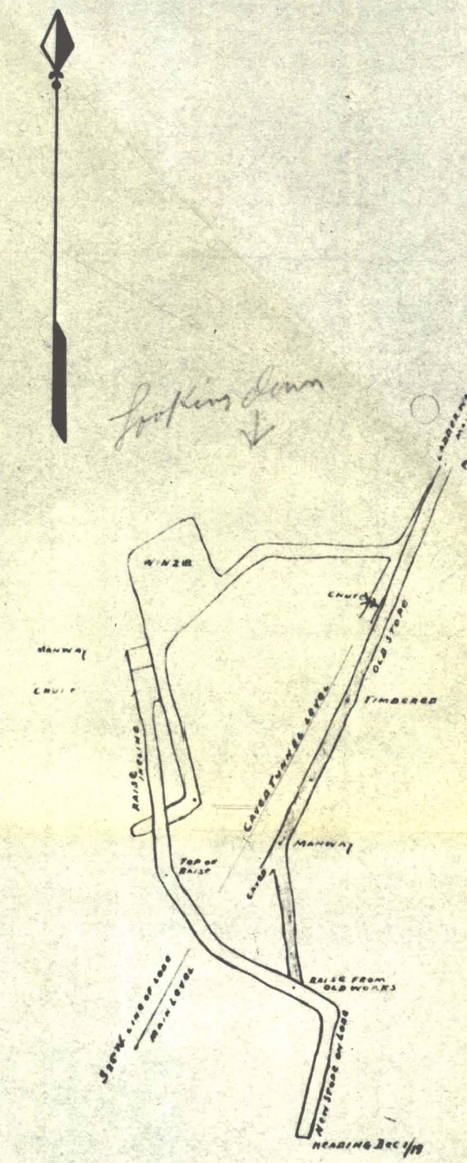
Blue - Work to be completed rehabilitating tunnel

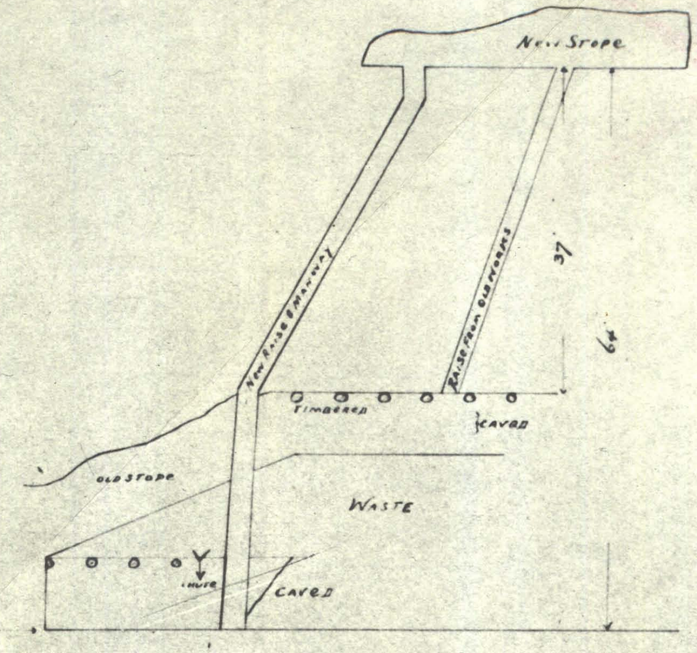
Two raises on Surprise Vein to be located in conjunction with DMEA

Green - New drifts to be driven

Two - Raises on Henrietta Vein location to be determined in conjunction with DMEA







HENRIETTA COPPER MININC CO

SCALE 1" — ~~10~~ FT.