GOVERNMENT COPY

RESCISSION OF EXPLORATION PROJECT CONTRACT
BY AGREEMENT BEFORE WORK IS BEGUN

It is agreed this 1st day of December, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the Government, and Hetzer Mines, Inc., hereinafter called the operator, parties to that certain Exploration Project Contract No. Idm-E592, Docket No. DMEA 2810, dated August 31, 1953, that said contract shall be and is hereby rescinded, revoked, and cancelled as of the date of the contract, before any actions have been taken or costs incurred thereunder, without any obligation whatever, one party to the other, the same as if said contract had never been entered into.

Witness the following signatures as of the day and year first above written.

HETZER MINES, INC.
(Operator)

By Elmer Hetzer
Elmer Hetzer, President

UNITED STATES OF AMERICA

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

C
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P
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GOSS & HUTCHINSON
Attorneys at Law

Boulder, Colo.
Nov. 20, 1953

Mr. W. H. King
Executive Officer, DMEA
224 New Customhouse
Denver 2, Colorado

Re: Docket No. DMEA 2810 (Tungsten), Contract Idm-E592
Hetzer Mines, Inc.

Dear Mr. King:

I thank you for your letter of November 17th, 1953. I have discussed this matter with Mr. Elmer Hetzer, President of Hetzer Mines, Inc. and he feels that it would not be entirely fair for us to fix a day within which we could commence operations under this contract. In view of the fact that we might not be able to proceed he does not think that we ought to ask for an extension of the contract. We appreciate your assistance very much and are sorry that we were not able to operate under the contract.

Yours very truly,

(signed) Dudley I. Hutchinson

224 New Customhouse
Denver 2, Colorado

November 17, 1953

Mr. Dudley I. Hutchinson
Goss & Hutchinson
Attorneys at Law
Boulder, Colorado

Re: Docket No. DMEA 2810
(Tungsten), Contract
Idm-E592
Hetzer Mines, Inc.

Dear Mr. Hutchinson:

Reference is made to your letter of November 14, 1953 wherein you advised that it will be impossible to commence operations under the referenced contract within the sixty (60) day period stipulated under Article 3 of the contract.

Upon receipt of a request from you stating the exact period necessary before operations can be commenced we will prepare an Amendment to the contract to effect the change.

Please furnish this office with the original and five copies of any request for Amendments to the contract.

Very truly yours,

J. W. Townsend, for
W. H. King
Executive Officer, DMEA
Field Team, Region IV

JWT:fwo

cc WMTraver
JWTownsend
Contract
Chron
Koschmann (2)

GOSS & HUTCHINSON
Attorneys at Law

November 14, 1953

Mr. W. H. King
Executive Officer DMEA
224 New Custom House
Denver 2, Colorado

Dear Mr. King:

I am writing you as Secretary of Metzer Mine, Inc., relative to the Exploration Project Contract No. Idm-E592, Docket No. DMEA-2810, which you forwarded to me in your letter of August 31, 1953.

Mr. Elmer Metzer, President of Metzer Mine, Inc., advises me that it was impossible for us to commence operations within the sixty day period and has asked me to write you to inquire whether or not this contract can be renewed or extended granting us additional time to start operations.

Thanking you, I am,

Yours very truly,

(Signed) Dudley I. Hutchinson

Dudley I. Hutchinson

DIH/bc

Doc[illegible] No. [illegible]

Commodity [illegible]

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

[illegible]

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

Please enter on the records of the Defense Minerals Exploration Administration, under the Strategic and Critical Minerals Exploration Program, the following contract, or amendment to contract.

Contract No. Idm-E [illegible]

Date of Contract or Amendment: [illegible]

Name and Address of Operator:

[illegible]
[illegible]
[illegible], Colorado

Amount of Government participation $ [illegible]

Percent of Government participation [illegible] %

Region: IV State: Colorado

[illegible]

(Name)

[illegible]

(Title)

[illegible]

Date Delivered to Bureau of Mines, Washington.

13908

Docket No. DMEA 2810

Commodity Tungsten

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

Please enter on the records of the Defense Minerals Exploration Administration, under the Strategic and Critical Minerals Exploration Program, the following contract, or amendment to contract.

Contract No. Idm-E 592

Date of Contract ~~or Amendment~~: August 31, 1953

Name and Address of Operator:
Hetzer Mines, Inc.
P. O. Box 150
Boulder, Colorado

Amount of Government participation $ 22,800.00

Percent of Government participation 75 %

Region: IV State: Colorado

(Name)
J. L. Chambers,
Chief, Contract Administration and Audit Division

(Title)

Date Delivered to Bureau of Mines, Washington. September 1, 1953

908

MF-200 (A)
(February 1952)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
SEP 4 1953

DOCKET NO. DMEA 2810

COMMODITY Tungsten

Idm-E592

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

EXPLORATION PROJECT CONTRACT[1]
(Short Form)

IT IS AGREED this 31st day of August, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Hetzer Mines, Inc., a Colorado corporation,
P.O. Box 150
Boulder, Colorado

hereinafter called the "Operator," as follows:

ARTICLE 1. *Authority for contract.*—This agreement is entered into under the authority of the Defense Production Act of 1950, as amended, pursuant to DMEA Order 1 entitled "Government Aid in Defense Exploration Projects."

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of Colorado, County of Boulder, described as follows:[3]
The Clyde-Gale-Lily group comprising 18 patented lode mining claims located in the Grand Island Mining District in T. 1 S., R. 73 W.
See attached Annex No. 1.

the Operator represents and undertakes:[4]

(*a*) That the Operator is the owner, in possession and entitled to possession, and that the property is subject only to the following claims, liens, or encumbrances as to each of which the subordination agreement of the holder is attached:

None

(*b*) ~~That the Operator is the owner, in possession and entitled to possession, and that the property is subject only to the following claims, liens, or encumbrances as to each of which the subordination agreement of the holder is attached:~~
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.

ARTICLE 3. *Exploration project.*—The Operator, within 60 (sixty) days from the date of this contract shall commence work on a project of exploration for[5] Tungsten

in or upon the described land; and shall bring the project to completion within a period of 7 (seven) months from the date of this contract. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided. The work shall be performed by the Operator or by independent contractor or contractors efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmen's compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. 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.

ARTICLE 4. *Costs of the project.*—The agreed, estimated costs of performing the work, expressed in terms of units of work to be performed (per foot of drifting, per foot of drilling, per cubic yard of material to be moved, etc.) are set forth in Exhibit "A," attached hereto. The Government will pay seventy-five (75) percent of these agreed, estimated costs, as they accrue, for units of work actually performed that conform with the description or specifications for the work set forth in this contract, in an aggregate total amount not in excess of $22,800.00, which is 75 percent of $30,400.00 the agreed, estimated total cost of the project in which the Government will participate: *Provided,* That until the Operator's final report and final accounting have been rendered to the Government and any final check or auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract. The Government may, as it sees fit, make payments direct to the Operator's independent contractors, if any, for the account of the Operator, rather than to the Operator.

ARTICLE 5. *Reports, accounts, audits.*—(*a*) *Progress reports.* The Operator shall provide the Government with monthly reports of units of work performed under the contract, in quintuplicate (five copies), upon forms provided by the Government. These progress reports shall be certified by the Operator, and shall constitute both the Operator's invoice of units of work performed on the project during the period covered by the report and his voucher for repayment by the Government, unless the Government requires the use of a standard voucher form with invoice attached. Progress reports shall include surface and/or underground engineering-geological maps or sketches showing the progress of the exploration, with assay-reports on samples taken concurrently with the advance in mineralized ground.

[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, particularly excluding any land or interest therein to which the Government's lien is not to attach or the production from which is not to be subject to the Government's percentage royalty.
[4] Strike out the provision not applicable.
[5] Name of mineral or minerals.

(*b*) *Final report.*—Upon completion of the exploration work or termination of the contract the Operator shall provide the Government with an adequate geological and engineering report, in quintuplicate (five copies), including an estimate of ore reserves resulting from the exploration work.

(*c*) *Compliance with requirements.*—If, in the opinion of the Government, any of the Operator's reports are insufficient or incomplete, the Government may procure the making or completion of such reports and attachments as an expense of the exploration work; and the Government may withhold approval and payment of any vouchers depending upon insufficient or incomplete reports.

(*d*) *Accounts and audits.*—The Operator shall keep suitable records and accounts of the units of work performed, which the Government may inspect and audit at any time. The Government may at any time require a check of the work performed and an audit of the Operator's records and accounts, by a certified public accountant or otherwise, 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. Upon the completion of the project or termination of the contract the Operator shall render a final account and statement of work performed to accompany his final report.

ARTICLE 6. *Repayment by Operator.*—(*a*) If, at any time, the Government considers that a discovery or a development from which production may be made has resulted from the exploration work, the Government, at any time not later than 6 months after the Operator has rendered the required final report and final account, may so certify in writing to the Operator. The certification shall describe broadly or indicate the nature of the discovery or development. In the event of such certification, any minerals mined or produced from the land described in Article 2 within 10 years from the date of this contract, including any mined or produced before the certification, shall be subject to a percentage royalty which the Operator or his successor in interest shall pay to the Government, upon 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, until the total amount contributed by the Government, without interest, is fully repaid, or said 10 years have elapsed, whichever occurs first, as follows:

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

(2) 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.)

(*b*) 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 the gross income from mining operations for percentage depletion purposes in income-tax determination.

(*c*) 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.

(*d*) 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.

ARTICLE 7. *Assignment, transfer, or loss of Operator's interest.*—Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder. The Operator shall not make any voluntary nor permit any involuntary transfer or conveyance of the Operator's rights in the land described in Article 2, without making suitable provision for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof; *Provided,* that mere failure by the Operator to maintain the Operator's rights in the land, without any consideration running to the Operator other than relief from the cost of maintaining such rights (as by surrender of a leasehold, failure to perform assessment work, or failure to exercise an option), coupled with complete abandonment by the Operator of all interest in or operations on the land for a period of 10 years from the date of this contract, shall not constitute such a transfer or conveyance. Should the Operator make or permit any transfer or conveyance in violation of this provision, the Operator shall be and remain liable for payment to the Government of the same amounts, at the same times, as would have been paid under the terms of the percentage royalty on production. If for any reason the net smelter returns, net concentrator returns, or other net amounts realized from the sale or other disposition of such production are not available as a means of measuring the amount of the Operator's liability, the amount thereof shall be estimated as well as may be, and in the event of dispute as to such estimates, the determination thereof by the Administrator of Defense Minerals Exploration Administration or by his successor shall be final and binding upon the Operator.

ARTICLE 8. *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 worth while discovery and in the opinion of the Government further operations are not justified.

ARTICLE 9. *Changes and added provisions* A certified drill log must accompany each Monthly Progress Report. Reimbursement will be authorized only for diamond drill holes completed to the satisfaction of the DMEA representative.

Executed in sextuplicate the day and year first above written.

Hetzer Mines Inc
(Operator)

By Elmer Hetzer President

THE UNITED STATES OF AMERICA

per 242

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

I, Dudley J. Hutchinson, certify that I am the secretary of the corporation named as Operator herein; that Elmer Hetzer President, who signed this contract on behalf of the Operator, was then of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

Dudley J. Hutchinson [CORPORATE SEAL]

U. S. GOVERNMENT PRINTING OFFICE 16—66329-1

ANNEX NO. 1

The following patented claims are:

Claim	U. S. Survey No.	Claim	U. S. Survey No.
Hidden Fortune	19,171	Red Spruce	18,340
Lily	19,171	Red Pine	18,340
Pinto	19,171	Occidental	18,340
Laura	19,171	Gulch	18,340
Eliza	19,171	Clyde	18,340
Ash Pan	18,340	Lone Jack	18,340
Cypress	18,340	Blue Chip	18,340
Slide	18,340	McKenna	18,340
Gale	18,340	Luck Bill	19,952

EXHIBIT "A"

Description of the Work

The work consists of diamond drilling ten holes totaling approximately 3800 feet. All holes are to be started BX and to be finished not smaller than AX. The tentative location, direction, inclination, and depth of all the diamond drill holes are shown on Figure 2 which is attached and made a part of this exhibit.

Diamond Drill Station No. 1 is to be located at the shaft station on the sixth level of the Clyde shaft. Hole 1-2 is dependent on the results of hole 1-1. If in the opinion of the DMEA representative the results of hole 1-1 warrant the drilling of hole 1-2, hole 1-2 will be authorized.

Diamond Drill Station No. 2 is to be located in the Clyde tunnel approximately 50 feet from the east face of the southmost drift. Hole 2-3 is dependent on the results of holes 2-1 and 2-2. If in the opinion of the DMEA representative the results of holes 2-1 and 2-2 warrant the drilling of hole 2-3, hole 2-3 will be authorized.

Diamond Drill Station No. 3 is to be located 50 feet west of the Gale shaft on the 110-foot level of the Gale mine. Hole 3-2 is dependent upon the results of hole 3-1. If in the opinion of the DMEA representative the results of hole 3-1 warrant the drilling of hole 3-2, hole 3-2 will be authorized.

Diamond Drill Station No. 4 is to be located at the shaft station on the 110-foot level of the Gale mine. Holes 4-2 and 4-3 may be extended to a maximum length of 300 feet with the consent of the DMEA representative.

Some slabbing and timbering may be necessary to make room for 10-foot core pulls in any or all of the diamond drill stations.

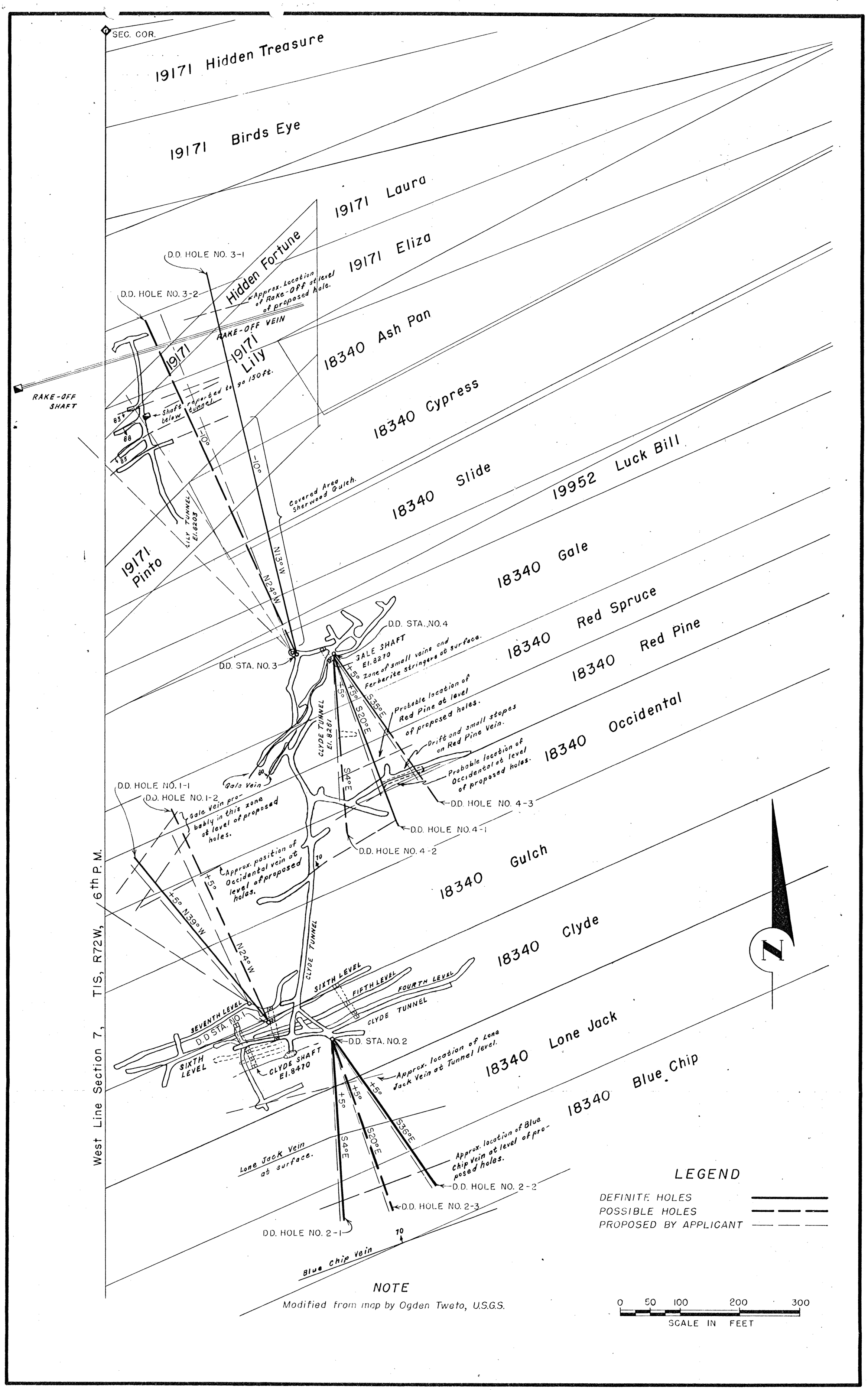
All drill cores are to be suitably stored in acceptable core boxes. Cores are to be split and one-half retained for the use of the DMEA.

The unit costs below include station preparation, supervision, power, core boxes and any and all other costs incurred in the completion of the work.

Estimated Costs of the Project

3800 feet of BX and AX diamond drilling @ $8.00 per foot, including station preparation, supervision, power, core boxes and any and all other costs incurred in the completion of the work

Total Cost of Project	$30,400.00
Government Participation 75%	$22,800.00



NOTE

Modified from map by Ogden Tweto, U.S.G.S.

FIGURE 2 - PLAN AND CLAIM MAP, CLYDE-GALE-LILY TUNGSTEN MINES, BOULDER COUNTY, COLO. DMEA 2810