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

224 New Customhouse
Denver 2, Colorado

CERTIFIED MAIL

November 4, 1955

Eugene Kleinknecht
Box 56, Hartsel, Colorado

Re: Royalty payments, DMEA Docket 3068 (Tungsten)
Contract Idm-E620, Galtie Boy Mines, Inc.,
San Juan County, Colorado

Dear Mr. Kleinknecht:

The subject DMEA Contract was officially terminated by the Government on September 28, 1955 without any payments having been made to the operating company; consequently no royalty payments are required.

We are enclosing Government check No. 19,795,059, drawn payable to yourself for an amount of $39.68 to reimburse you for your royalty payment in like amount sent to this office by your letter of January 28, 1955. If you are still leasing this property from Galtie Boy Mines, Inc., please be advised that it is not necessary for you to report future production to the Defense Minerals Exploration Administration.

In order that we may keep our records for Contract Idm-E620 current, we would appreciate an acknowledgement from you of the receipt of this check.

Yours very truly,

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

By /s/ J. W. Townsend
J. W. Townsend

Enclosure

[illegible]

For Certificate of Deposit No. 70, dated February 11, 1955, giving royalty repayment of $39.68, see E-408.

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

OCT 24 1955

Mr. Thomas H. Brading
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

Dear Tom:

In regard to your letter of October 18, 1955, I was able to talk to Mr. Christensen the day it arrived.

There is no doubt that the finance officer and the certifying officer have a right to correct an error although that error may involve a special deposit account. A check should be drawn on this account in favor of Mr. Kleinknecht who made the erroneous deposit, using the regular procedure.

Mr. Christensen agrees to this procedure and I have asked the Chief of the Bureau of Accounts, Treasury Department, to approve this letter, since there is so much doubt about it in the field.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/wb
October 24, 1955

Copy to: Mails & Files
Admr. Reading File
Mr. Bailey, Rm. 2520
Mr. Chambers

I Concur:

/s/ R. W. Maxwell
R. W. Maxwell, Commissioner
Bureau of Accounts, Treas. Dept.

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

RECEIVED
OCT 1 8

224 New Customhouse
Denver 2, Colorado

October 18, 1955

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

Re: Royalty Payments, Docket No. DMEA-3068
(Tungsten) Contract Idm-E620, Galtie Boy
Mines, Inc., San Juan County, Colorado.

Dear Mr. Chambers:

The following letter is written at the request of Mr. W. M. Traver:

Attached are copies of letters to T. A. Christensen from the Executive Officer dated October 5 and October 17, 1955. Mr. Christensen advises Mr. Traver that because this royalty payment was credited to the account of Galtie Boy Mines, it will not be possible for his office to issue a check to Mr. Kleinknecht. Mr. Traver advises that Mr. Kleinknecht, and not Galtie Boy Mines, had made the royalty payment. The reason a ruling is being requested is because they have two or three cases similar to this where an individual or a lessee has made payments of royalties in excess, or in error, and the amount was credited to the contractor although the refund is due the lessee or the smelter. Mr. Christensen makes the point that his office cannot issue a check for refund unless it is payable to the company to which the royalty was credited.

I told Mr. Traver that in my opinion this is a matter which Mr. Kenfield Bailey should rule upon, or perhaps a ruling from the legal department should be obtained. Later on I talked with Mr. Christensen who asked that I submit the matter for your opinion and ruling. Mr. Christensen will be in Washington the latter part of this week, at which time the whole matter will undoubtedly be discussed.

Sincerely yours,

T. H. Brading

T. H. Brading, Auditor.

Encls.

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

224 New Customhouse
Denver 2, Colorado

October 17, 1955

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty Payments, DMEA 3008 (Tungsten), Contract Idm-E620, Galtie Boy Mines, Inc., San Juan County, Colorado

We are returning herewith Government check No. 19,666,609 payable to Galtie Boy Mines, Inc. in the amount of $39.68 as it is not suitable for our purpose.

Please follow the instructions contained in our memorandum of October 5, 1955, a copy of which we are enclosing for your reference. It is absolutely necessary that this royalty repayment check be made payable to Eugene Kleinknecht as original royalty payment was made by him personally.

W. M. Traver

W. M. Traver

Enclosure

Scheduled 56-32

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

224 New Customhouse
Denver 2, Colorado

October 5, 1955

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 3068 (Tungsten), Contract Idm-E620, Galtie Boy Mines, Inc., San Juan County, Colorado

Reference is made to our memorandum of February 10, 1955 by which a royalty payment check in the amount of $39.68 from Eugene Kleinknecht was transmitted to your office. Contract Idm-E620 was officially terminated by our letter of September 28, 1955 to Mr. Carl H. Peterson (copy enclosed) with no payments having been made by the Government.

We request that a check be drawn payable to Eugene Kleinknecht for the full amount of $39.68 and transmitted to this office. We will return it to Mr. Kleinknecht with an appropriate letter of explanation.

W. M. Traver
W. M. Traver

ADMINISTRATIVE
OFFICE
REGION III
OCT 7 1955
BUREAU OF MINES
DENVER, COLORADO

Paid $39.68
Randell R. Cooper
Randel R. Cooper
Authorized Certifying Officer
10/11/55 DMA-56-32

No. 5

AMENDMENT OF CONTRACT: Idm-E620

Contract Docket No. DMEA 3068, dated October 2, 1953, between the United States of America and Galtie Boy Mines, Inc., is amended as follows, effective July 15, 1955:

Referring to Amendment No. 4, dated January 7, 1955:

Paragraph 1(a), change July 15, 1955 to September 15, 1955.

Paragraph 2, change March 15, 1956 to May 15, 1956.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute nor the agreed unit cost of any item of work.

Dated August 19, 1955

GALTIE BOY MINES, INC.

By Carl H. Peterson

Carl H. Peterson, Secretary

UNITED STATES OF AMERICA

By W. M. Traver

W. M. Traver, Executive Officer
DMEA Field Team, Region III

SEAL

W.O.

[illegible]

[illegible]

[illegible]

Government's Copy

DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration

EXPLORATION PROJECT CONTRACT
GALTIE BOY MINES, INC.
DOCKET NO. DMEA-3068

AMENDMENT NO. 4

It is agreed this 7th day of January, 1955, between the United States of America, Department of the Interior, acting through the Defense Minerals Exploration Administration, hereinafter called the "Government," and Galtie Boy Mines, Inc., hereinafter called the "Operator," parties to Exploration Project Contract Idm-E620 (Docket No. DMEA-3068), dated October 2, 1953, as amended, hereinafter called the "Contract," that:

1. (a) Work under the Contract shall be suspended during the period beginning November 29, 1954, and ending not later than July 15, 1955.

(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.

2. The time fixed for completion of the work is extended to March 15, 1956.

3. Annex I attached to the contract is cancelled, and Annex II, attached hereto and made a part hereof, is substituted for the provisions of Article 6 of the Contract.

4. It is of the essence of the Contract that work be resumed before the termination of the period here fixed for suspension; and if it is not so resumed in the manner required by the Contract, the Contract is automatically rescinded and cancelled as of the date of the Contract, without any obligation one party to the other, the same as if the Contract had never been entered into.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute, nor the agreed unit cost of any item of work.

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

THE UNITED STATES OF AMERICA

By C. Mitchell Dorr
Administrator, Defense Minerals
Exploration Administration

GALTIE BOY MINES, INC.

By Earl H. Peterson
Secretary

EXPLORATION PROJECT CONTRACT
GALTIE BOY MINES, INC.
DOCKET NO. DMEA-3068

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
Received
JAN 5 1955

ANNEX II

The following provisions are in lieu of Article 6 :

Repayment by Operator.--a. Certification.--If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered 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 "eleven 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.)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 27 1954

No. 3

AMENDMENT OF CONTRACT: No. Idm-E620

Contract Docket No. DMEA 3068, dated October 2, 1953, between the United States of America and Galtie Boy Mines, Inc., is hereby amended as follows, effective September 16, 1954:

> Referring to "EXHIBIT A" attached to Exploration Project Contract Form MF-200(A) (February 1952) captions "Description of the Work" and "Estimated Cost of the Project", it is hereby agreed that in lieu of construction of the access road from the point and at the location shown on Figure 2, which is attached and made a part of said "EXHIBIT A" instead the road will be constructed from the point and approximately at the location shown on the map titled "Sketch of Brunton Survey on Minnesota, Dry Gulch and Dawn of Day Showing Proposed Road, Scale - 1" = 200 ft. Date 8/19/54" which is attached hereto and made a part of this amendment; and further, whereas the proposed access road heretofore described will only be approximately 600 feet in length, instead of 1400 feet in length as originally proposed, now therefore it is agreed that the access road to be constructed at the revised location will be constructed at a unit cost of $800.00, the entire work constituting the unit of work.

This amendment shall not be construed to increase the estimated total cost of the project, the amount of the Government's contribution, or any item of allowable cost which is expressly designated "allowable maximum".

Dated OCT 25 1954

GALTIE BOY MINES, INC.

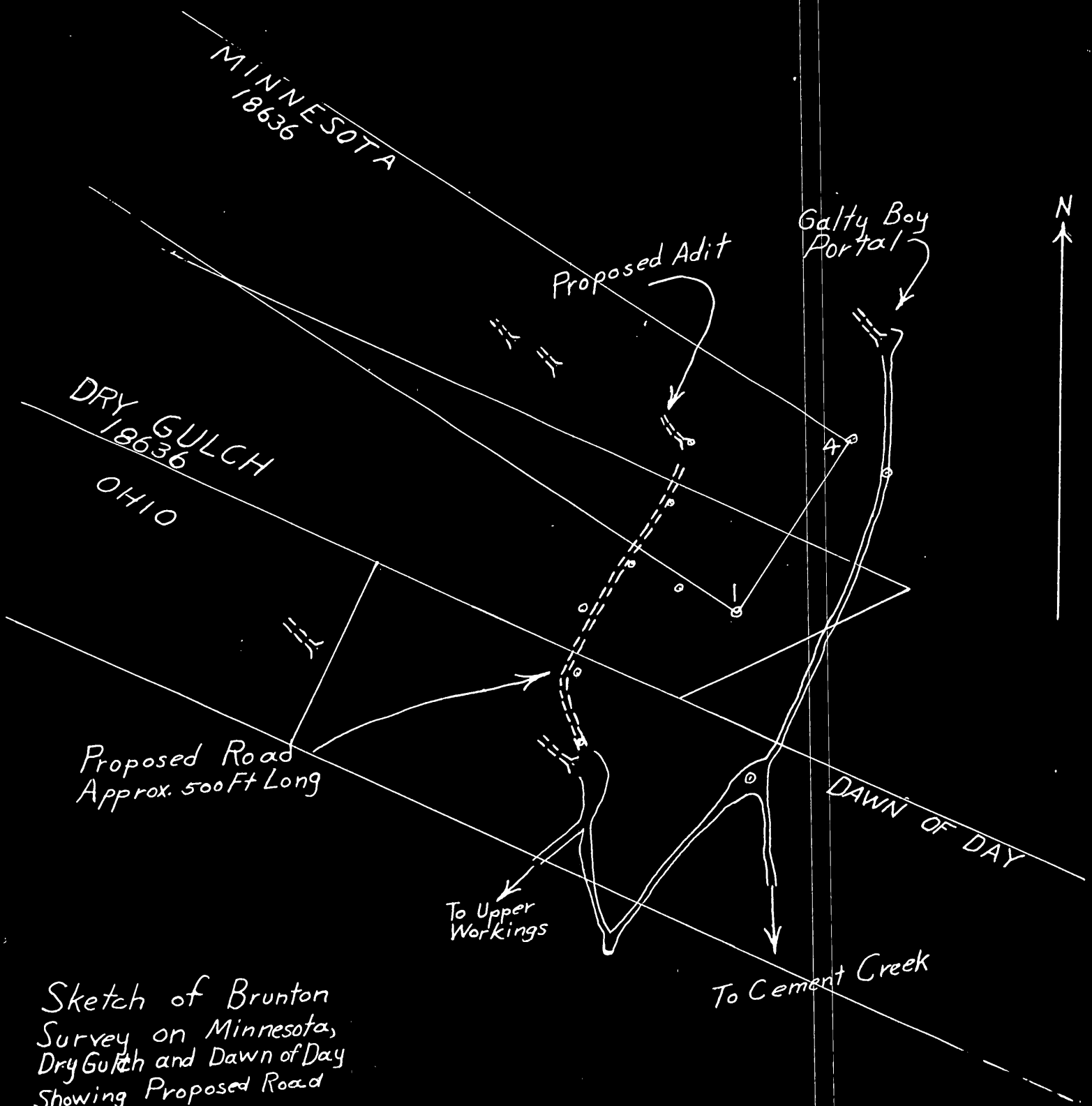
By Carl H Peterson

UNITED STATES OF AMERICA

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

Seal

C. LESLIE LARSON, MIN. E.
CONSULTANT AND MINING CONTRACTOR
SILVERTON, COLORADO



Sketch of Brunton
Survey on Minnesota,
Dry Gulch and Dawn of Day
Showing Proposed Road

Scale – 1" = 200 ft. Date 8/9/54

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 27 1954

Region IV

Building 20, Room 137
Denver Federal Center
Denver 2, Colorado
September 15, 1954

Memorandum

To: Executive Officer, DMEA Field Team, Region IV

From: Chief, Mineral Resources Branch, Mining Division, Region IV

Subject: DMEA 3068, Contract Idm-E620 (Tungsten), Galtie Boy Mines, Inc. (Galtie Boy group), San Juan County, Colo.

Enclosed are the original and eight copies of a memorandum by Glen Walker approving to the Region IV Field Team the request made by the operator of the above contract to construct the access road to the Minnesota vein in a different position than authorized by the original contract.

While Walker recommends the changed road location, which will involve somewhat over 600 feet of road construction on an 8 percent grade, he is of the opinion that the road is being constructed by subcontractors who are primarily interested in the road for their own use and convenience in supplying ore from the Minnesota dump for their Yukon mill. For that reason, he recommends withholding payment for the access road when it is claimed until the operator of Contract Idm-E620 shows his intention regarding the start of and prosecution of drifting on the Minnesota vein.

The possibility should also be investigated of there having been dump ores milled from claims listed in Article 2 of the contract that are subject to Government royalty under Article 6 of the contract.

If, as Walker suggests, the changed road will represent a saving of $1,000.00 in costs, that savings, although it is not mentioned by the contractor and he possibly expects to collect $1,800.00 for an $800.00 job, should be available for other purposes, possibly additional drifting. At the moment, we are not able to make a recommendation for the use of the funds saved, preferring to wait until we see what develops when drifting starts.

W. M. Traver

W. M. Traver

enclosure

WMT/kp

cc/8, E620, Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 2, Colorado
September 13, 1954

Memorandum

To: Chief, Mineral Resources Branch, Mining Division, Region IV

From: Glen Walker

Subject: DMEA 3068, Contract Idm-E620 (Tungsten), Galtie Boy Mines, Inc. (Galtie Boy group), San Juan County, Colo.--Monthly inspection report

Approximately 125 feet of new road, beginning at the Ohio mine ore bin and trending downhill northeast toward the Minnesota outcrop, has been finished. The road from the Dawn of Day switch-back to the Galtie Boy dump has also been redozed and smoothed into good condition.

The subcontractor indicated a line of stakes marking the general course of the newly proposed road from the Ohio ore bin to the point on the Minnesota outcrop where the new portal is to be located. A Brunton and tape survey was made along these stakes which indicated a total distance of 608 feet and a down grade of about 8 percent. Also, the distance from the lower Minnesota adit to the proposed adit site was measured and it checked very closely with the survey made by the contractor.

There appear to be no field conditions that would cause unusual difficulty to construction of the road in the location proposed by the contractor. It is, however, suggested that Government participation in payment be withheld until the remainder of the contract has been satisfactorily fulfilled; as it appears the subcontractor's prime objective for the road is to obtain the Minnesota dump for his operation of the Yukon mill, which has been down a month due to lack of ore. San Juan County equipment has been used for the latest work. Mr. Fleming, county road commissioner, was contacted and stated it was county policy to help small mine operators, but they expected reimbursement at the rate of $10.00 per hour for a dozer.

It is estimated that the construction of the road along the line staked by the contractor should not cost more than $800.00. It is suggested that the Government not participate in the cost of the road previously constructed from the Dawn of Day switch-back to the Galtie Boy dump as it cannot aid the exploration project in any manner.

Glen Walker
Glen Walker

GW/kp

cc /8, E620, Chron

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.

58694

208 Mercantile Building
Denver 2, Colorado
August 25, 1954

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

Re: Docket No-DMEA-3068

Dear Mr. King:

We ask permission to construct the access road to the Minnesota vein as per attached maps in lieu of the original proposal, due to a large rock slide area between the Galtie Boy Portal and the proposed adit on the Minnesota claim.

This new proposed road is much more practical and will eliminate the rock continually rolling down the mountain onto the road.

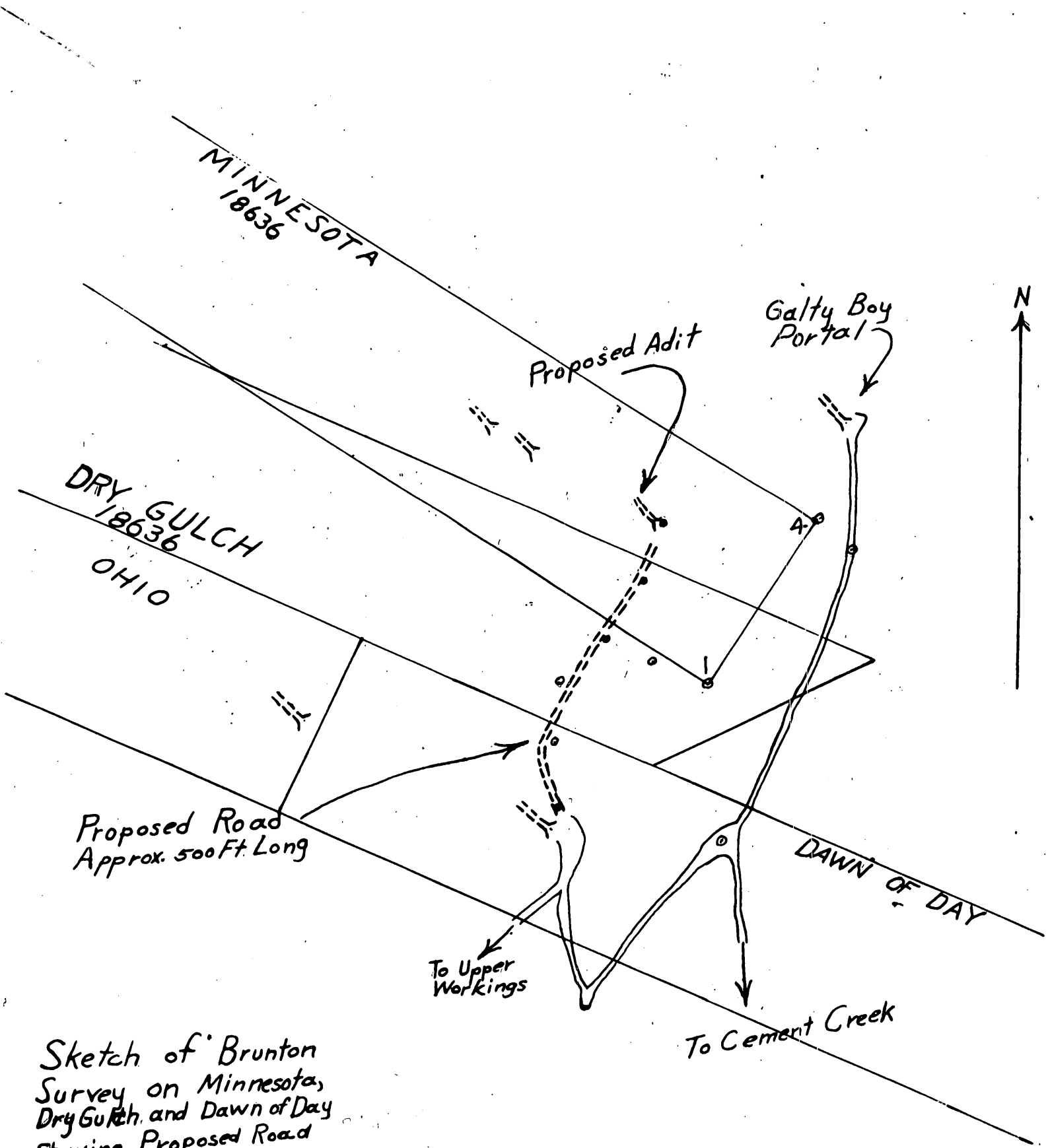
Respectfully submitted,

GALTIE BOY MINES, INC.

Carl H. Peterson

Carl H. Peterson, Secretary

C. LESLIE LARSON, MIN. E.
CONSULTANT AND MINING CONTRACTOR
SILVERTON, COLORADO



Sketch of Brunton Survey on Minnesota, Dry Gulch and Dawn of Day Showing Proposed Road

Scale – 1" = 200 ft. Date 8/19/54

Government's copy

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 27 1954

EXPLORATION PROJECT CONTRACT
GALTIE BOY MINES, INC.
DOCKET NO. DMEA-3068

AMENDMENT NO. 2

The undersigned parties to Contract No. Idm-E620 (Docket No. DMEA-3068), dated October 2, 1953, hereby agree that the contract shall be and is hereby amended as follows:

Referring to Article 3 of the contract form, as amended by Amendment No. 1, the time for commencing the work is extended to October 1, 1954, and the time for completing the work is extended to September 1, 1955.

Dated October 13, 1954.

THE UNITED STATES OF AMERICA

By C. Mitchell
Administrator, Defense Minerals
Exploration Administration

GALTIE BOY MINES, INC.

By Lee H Pierson

RECEIVED

No. 1

AMENDMENT OF CONTRACT: No. Idm-E620

Contract Docket No. DMEA 3068, dated October 2, 1953, between the United States of America and Galtie Boy Mines, Inc., is hereby amended as follows, effective as of the date of the contract:

> Referring to "Article 3. Exploration Project" of Exploration Project Contract Form MF-200(A) (February 1952), following the words "The Operator", delete "within 60 (sixty) days from the date of this contract" and in lieu thereof substitute "prior to July 1, 1954"; following the words "and shall bring the project to completion", delete "within a period of six (6) months from the date of this contract" and in lieu thereof substitute "prior to November 1, 1954".

This amendment shall not be construed to increase the estimated total cost of the project, the amount of the Government's contribution, or any item of allowable cost which is expressly designated "allowable maximum".

Dated December 16, 1953

GALTIE BOY MINES, INC.

By Alfred O. Brehmer
Alfred O. Brehmer, Treasurer

UNITED STATES OF AMERICA

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

(Seal)

BEIN MOTHERLAND
CHICAGO

PHONE MA. 7135
MA. 7136

FALK METALS CORPORATION
PRODUCERS OF COPPER, LEAD & ZINC
MERCANTILE BUILDING
1031 15TH STREET
DENVER 2, COLORADO

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 4 1954

Silverton
Colorado
December 4
1954

Mr. William H. King
Chief Officer
Regent 4, Room 204
New Custom House Building
Denver, Colorado

Dear Mr. King:

I believe that it is necessary for us to ask for an extension on the Galtie Boy loan. I do not have the serial number with me so would you be so kind and fill in the number IdM-E620.

I am sure that you realize that this loan was granted about October 4, when the first big snow had already fallen, and there was no chance for us to start operations. We are asking that you set this loan up for us until July 1, 1954, because where we planned to do the "cat work" is on the shady side of the mountain. I believe it will be July 1 of next year before we will be able to start building this road.

Sincerely yours,

Walter A. Falk

Walter A. Falk, President
Falk Metals Corporation

Docket No. 3068

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-I 620

Date of Contract ~~amendment~~: October 2, 1953

Name and Address of Operator:

Mr. Carl T. Patterson, Secretary
Galtic Boy Mines, Inc.
210 Mercantile Building
Denver 2, Colorado

Amount of Government participation ____ $9,000.00

Percent of Government participation 75 %

Region: III State: Colorado

Please release $9,000.00

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

Date Delivered to Bureau of Mines, Washington, 10/6/55

54458

Doc[illegible] No. DMEA 3068

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 620

Date of Contract ~~or Amendment~~: October 2, 1953

Name and Address of Operator:

Galti Boy Mines, Inc.
210 Mercantile Building,
Denver, Colorado

Amount of Government participation $ 9,000.00

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 10/5/53

13808

MF-200 (A)
(February 1952)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT - 9 1953

DOCKET NO. I[redacted]A 3068

COMMODITY Tungsten

Idm-E620

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

EXPLORATION PROJECT CONTRACT[1]
(Short Form)

IT IS AGREED this 2nd day of October, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Galtie Boy Mines, Inc. A Colorado Corporation
210 Mercantile Building
Denver 2, Colorado

~~and as set forth in Annex I attached hereto~~
hereinafter called the "Operator," as follows: and made a part hereof.

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 San Juan, described as follows:[3] Patented lode mining claims, Ohio, Dawn of Day, Dry Gulch, Minnesota, Last Chance, Gold Dollar, Galtie Boy, and Little Mack, all U. S. Mineral Survey No. 18636

the Operator represents and undertakes:[4]

~~(a) That the Operator is the owner in possession and entitled to possession of the property described above, subject only to the following encumbrances as to each of which the subordination agreement of the holder is attached:~~

(b) That the Operator is a lessee, in possession and entitled to possession, and the Owner's Consent to Lien 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 six (6) 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 $9,000.00, which is (75) percent of $12,000.00, 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: See Annex I, substituted for that part of 6(a) preceding the colon.

(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* _____

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

Galtie Boy Mines, Inc.
(Operator)

By Carl A Peterson
Alfred O. Brehmer, Treasurer

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

I, Carl A Peterson, certify that I am the secretary of the corporation named as Operator herein; that Alfred O Brehmer, Treasurer, 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.

Carl A Peterson

[CORPORATE SEAL]

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

Department of the Interior
Bureau Mines Administration
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EXHIBIT A

Description of the Work

Extend the access road approximately 1400 feet from the end of the present road on the Dawn of Day claim to the Minnesota vein as shown on Figure 2 which is attached and made a part of Exhibit A.

At the point where the new access road intersects the Minnesota vein, an adit will be driven on the Minnesota vein 300 feet in a northwesterly direction as shown on Figure 2.

Estimated Cost of the Project

1/ Extend access road approximately 1400 feet including bulldozer, rock work and any and all other costs incurred in completion of the road to the Minnesota vein	$1,800.00
300 feet of drifting on Minnesota vein at $34.00 per foot	10,200.00
Total estimated cost	$12,000.00
Government participation at 75%	$ 9,000.00

1/ The entire work constitutes the unit of work.

DEPARTMENT OF THE INTERIOR
Bureau Mineral Administration
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ANNEX I

The following provisions are in lieu of all of paragraph (a) of Article 6 which precedes the colon:

If 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 a sufficient, complete, final report and final account referred to in the contract has been rendered, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development. 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, 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 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 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 (including any bonuses), in whatever form disposed of, including ore, concentrates, or metal, as follows:

MF-203
(Revised July 1, 1953)

OWNER'S CONSENT TO LIEN

DEPARTMENT OF THE INTERIOR
Atomic 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/

sub leased to Williams

Patented lode mining claims; Ohio, Dawn of Day, Dry Gulch, Minnesota, Last Chance, Gold Dollar, Galtie Boy, and Little Mack, all U. S. Mineral Survey No. 18636.

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/ Galtie Boy Mines, Inc. A Colorado Corporation
210 Mercantile Building
Denver 2, 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 24 day of August, 1953.

Eva M. Bleau [Seal]

Frank Ross [Seal]

_____ [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.

RELEVANT CONTRACT PROVISIONS

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.

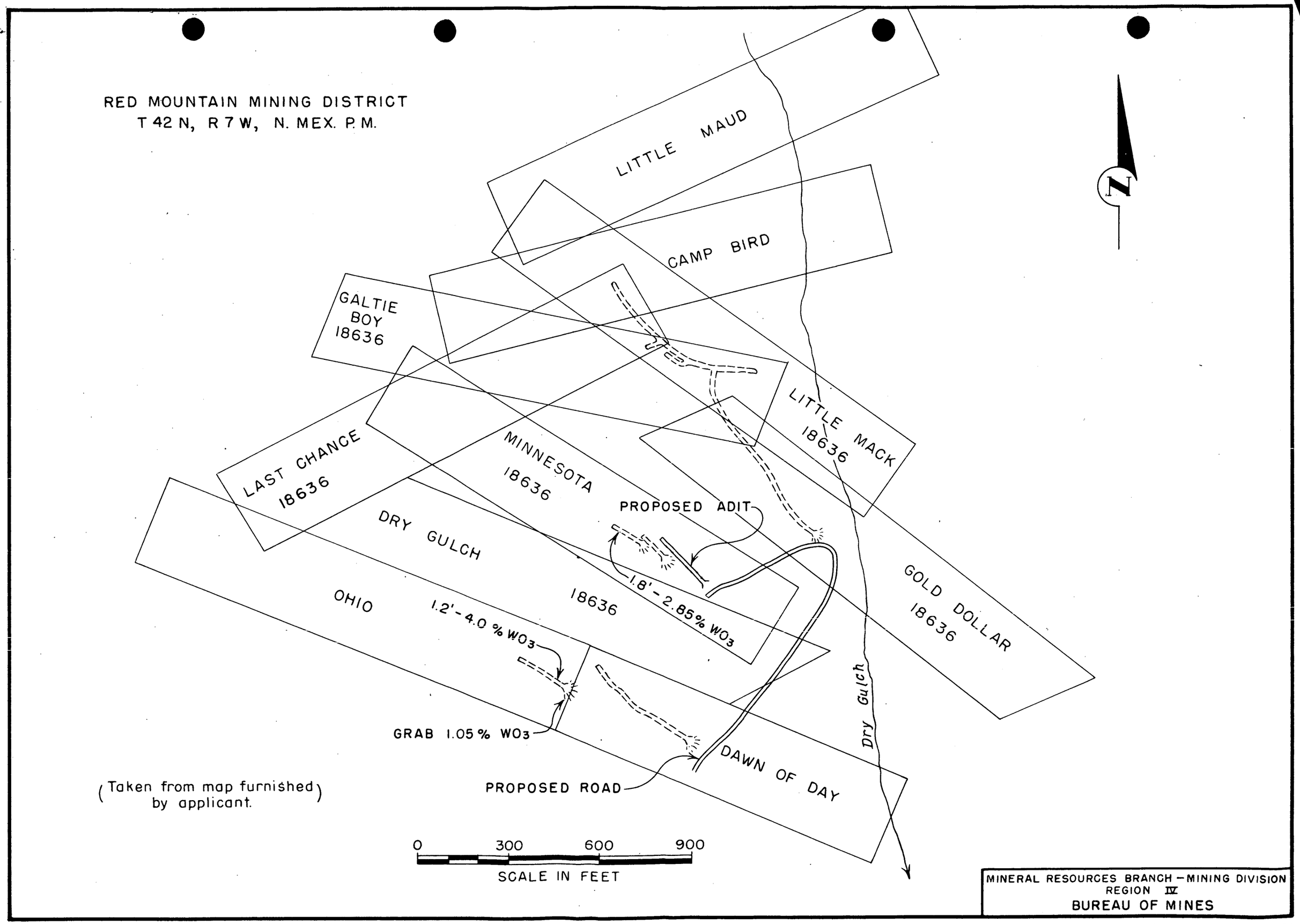

FIGURE 2 - CLAIM AND EXPLORATION MAP, GALTIE BOY GROUP, RED MOUNTAIN MINING DIST., SAN JUAN COUNTY, COLO. (DMEA 3068)