Government's Copy

DMEA
Date Rec'd
APR 4 1955
BUREAU OF MINES
Denver, Colorado

RESCISSION AGREEMENT

It is agreed this 25th day of March, 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Aztec Mining Co., a partnership, that Exploration Project Contract Idm-E720 (Docket No. DMEA-3293), dated October 6, 1954, is hereby rescinded, revoked, and cancelled as of the date of the contract, without any obligation whatever, one party to the other, the same as if said contract had never been entered into.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O O Mitchell
Administrator, Defense Minerals
Exploration Administration

AZTEC MINING CO.

By W. B. Colbert

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

DMEA Date Rec'd MAR 1955

224 New Customhouse
Denver 2, Colorado

March 4, 1955

Mr. W. B. Colbert
The Aztec Mining Company
214 West Main Street
Farmington, New Mexico

Re: Docket DMEA 3293 (Uranium)
Contract Idm-E720

Dear Mr. Colbert:

Reference is made to our letters dated January 26 and February 10, 1955, relative to operations under the subject contract.

As we did not receive a reply from you by February 21, 1955, as stipulated in our letter dated February 10, we assume that you are no longer interested in performing work under the contract. Therefore, we are initiating appropriate action in the matter.

Yours very truly,

W. M. Traver

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

March 8, 1955

Dear Mr. Traver:
We are no longer interested in performing the work under this contract, due to weather and other things beyond our controll.

We wish to thank you very much for your kind efforts and consideration in this matter.

Very truly yours,
W. B. Colbert
W. B. Colbert
Aztec mining Co
214 W. Main
Farmington, N. M.

Docket No. ~~DMEA - 3293~~

Commodity ~~Uranium~~

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 720

Date of Contract ~~or Amendment:~~ Oct.6,1954

Name and Address of Operator:

Aztec Mining Co.,
214 W. Main
Farmington, New Mexico

Amount of Government participation $ 4,995.00

Percent of Government participation 75 %

Region: 111 State: Colorado

Please release $ 4,995.00 Contract has been cancelled.

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

(Title)

Date Delivered to Bureau of Mines, Washington. 3/8/55

54458

RECEIVED
JAN 1 1955

POWER OF ATTORNEY

We, the undersigned members of a partnership, consisting of H.N. LaRue, B.F. LaRue, Carl J. Eaton, and W.B. Colbert, doing business as Aztec Mining Co., 214 West Main Street, Farmington, New Mexico, do hereby appoint W.B. Colbert to act as agent of said partnership in all matters connected with the United States Department of the Interior, Defense Minerals Exploration Administration, DMEA Docket 3293, Contract Idm-E720, and in behalf of said partnership to submit to the Government all necessary reports and information required under said contract, and said agent is authorized to receive individually, and to receipt for, any monies that are now or may hereafter become due to said partnership by reason of said Contract Idm-E720.

H. N. LaRue

B. F. LaRue

Carl J. Eaton

Accepted:

_____

Docket No. ~~DMEA - 3293~~

Commodity ~~Uranium~~

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 720

Date of Contract ~~Amendment~~: October 6,1954

Name and Address of Operator:
Aztec Mining Co.,
214 W. Main
Farmington , New Mexico

Amount of Government participation $ 4,995.00

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.

10/6/54

54458

MF-200 (A)
(February 1952)

DOCKET NO. DMEA 3293

COMMODITY Uranium

Defense Minerals Administration
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OCT 11 1954

Idm-E720

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

EXPLORATION PROJECT CONTRACT[1]

(Short Form)

IT IS AGREED this 6th day of October, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Aztec Mining Co., 214 W. Main, Farmington, New Mexico, A Partnership consisting of H. N. LaRue, B. F. LaRue, Aztec New Mexico, and Carl J. Eaton, W. B. Colbert, Farmington, New Mexico,

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 San Miguel, described as follows:[3] Owner of Chipmunk No. 1 (Original) and Chipmunk No. 4 (Original), Chipmunk Claims Nos. 1, 2, 3, 6, and 11, are leased from the Atomic Energy Commission, under Circular 7. The claims are located in Secs. 34 and 35, T. 45 N., R. 19 W., and are further described in Annex I, attached,

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: Owners of Chipmunk No. 1 (Original), and Chipmunk No. 4 (Original). Owners of Chipmunk Nos. 1, 2, 3, 6, and 11, by Public Law 585, further described in Annex I, attached.

(*b*) ~~[illegible]~~
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] Uranium

in or upon the described land; and shall bring the project to completion within a period of 4 (four) 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 75 (seventy-five) 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 $4,995.00, which is 75 percent of $6,660.00, 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.~~ **See Annex II substituted for Article 6 above.**

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* **That part of the second sentence of Article 7 beginning with the word "Provided" is deleted.**

Executed in sextuplicate the day and year first above written.

( )

THE UNITED STATES OF AMERICA

Aztec Mining Co.
(Operator)

Hm LaRue

By B. F. LaRue
Carl J. Eaton
W. B. Colbert

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

I, , certify that I am the secretary of the corporation named as Operator herein; that , 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.

[CORPORATE SEAL]

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

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ANNEX I

Claim	Book	Page
Chipmunk No. 1 (Original)	175	174
Chipmunk No. 4 (Original)	175	176

The above claims are recorded in the County Clerk and Recorder's Office of San Miguel County, Colorado.

The following claims have been filed under Public Law 585 and the amended location certificates have been submitted to the County Clerk and Recorder for filing. The reception numbers for the filing of these amended location certificates are as follows:

Claim	Reception No.
Chipmunk No. 1	118125
Chipmunk No. 2	118126
Chipmunk No. 3	118127
Chipmunk No. 6	118128
Chipmunk No. 11	118129

INTERIOR
Minerals Administration
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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

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.

58694

OCT 11 1954

EXHIBIT "A"

Description of the Work

The work consists of drilling a maximum of 15 holes in a three-fence pattern at locations as shown on Figure 2, which is attached and made a part of Exhibit "A".

All drill holes will penetrate the entire thickness of the top sandstone bed of the Salt Wash member of the Morrison formation which is the known ore horizon.

Hole No. 1 as shown in Figure 2 will be drilled first and cored the entire depth. This hole will bottom 100 feet below the base of the known ore horizon to prospect for deeper ore horizons.

Hole No. 15 will be drilled last and will not be started unless sufficient unexpended footage remains to assure completion of the hole to its objective within the total allowable footage.

Holes No. 2 to No. 14 may be drilled in any sequence.

All core drilling will be a minimum of AX size. Holes numbered 1, 2, 3, 4, 6, and 9, at locations as shown on Figure 2, will be cored in their entirety. The remaining holes may be drilled with a plug bit from surface to a point near but above the ore bearing horizon from which point the holes will be core drilled to the bottom.

It is estimated that 400 feet of plug drilling and 1100 feet of core drilling will be required to complete the 15 holes.

An engineer-geologist will be on the property at all times the drill rigs are in operation and will supervise and direct all drilling and bulldozer work for site preparation. He will split and store all core, saving one-half of the split core for the use of the Government. He will log all drill holes and keep up to date a combined geologic and assay map. The completed combined geologic and assay map will accompany the operator's final report. The engineer-geologist will check all drill core and sludge for the presence of radioactive material by radiometric instrument and a maximum of 30 samples indicating significant mineralization will be analyzed chemically for U_3O_8 and V_2O_5.

Estimated Costs of the Work

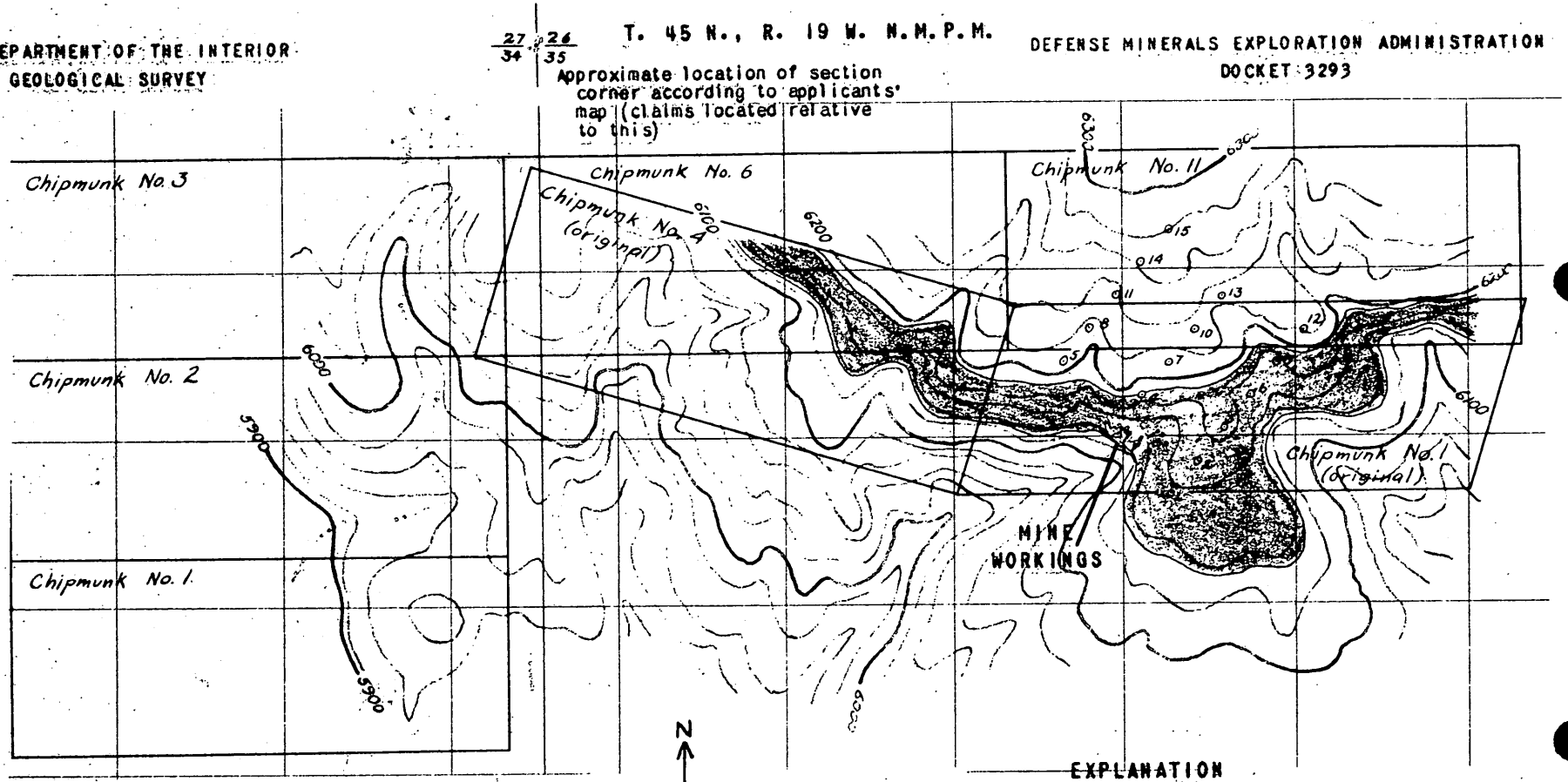
1/	Estimated 1100 feet of core drilling at $3.80 per foot -	$4,180.00
1/	Estimated 400 feet plug drilling at $2.45 per foot -	980.00
	Preparation of 15 drill sites, including access roads, at $40.00 each -	600.00
2/	A maximum of 30 chemical assays for U_3O_8 and V_2O_5 -	150.00
	Geologist-Engineer at $0.50 per foot of hole drilled -	750.00
	Estimated Cost	$6,660.00
	Government Participation at 75%	$4,995.00

1/ No reimbursement will be made for partially completed holes. Claim for reimbursement for completed holes must be supported by a certified drill log of the hole or holes involved.

2/ Claim for reimbursement for analysis charges must be supported by a copy of the assay return showing costs and results.

U.S. DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DEFENSE MINERALS EXPLORATION ADMINISTRATION
DOCKET 3293



SCALE 1" - 500 FEET
CONTOUR INTERVAL 20 FEET

TOPOGRAPHY FROM U.S. GEOLOGICAL SURVEY QUADRANGLE MAP, HORSE RANGE MESA

CLAIM LINES ARE APPROXIMATELY LOCATED RELATIVE TO TOPOGRAPHY

Geology by D.R. Shawe

EXPLANATION

APPROXIMATE OUTCROP OF TOP SALT WASH SANDSTONE LENS

ORE (RED; MINED OUT) AND MINE WORKINGS

MINERALIZED WAGON DRILL HOLE

PROPOSED LOCATION OF DIAMOND DRILL (CORE) HOLE

Figure 2. SKETCH MAP OF PART OF HORSE RANGE MESA QUADRANGLE SHOWING LOCATIONS OF PROPOSED EXPLORATION DRILL HOLES ON THE CHIPMUNK GROUP OF CLAIMS, AZTEC MINING CO. SAN MIGUEL COUNTY, COLORADO