DEPARTMENT OF MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

RECEIVED
OCT - 1 1956

I have reviewed the Monthly Reports of:

Hurst Majors
Manhattan, Kansas

pertaining to Exploration Project Contract No. I6m-E878, Docket No. DMEA-3605, including Amendment Nos. one and two, for the month of November, 1955, covering a project for the exploration of lead and zinc on property known as Mineral Farm Group, located in Ouray County, Colorado, approximately 1 mile from Ouray.

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

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

All of the costs incurred were under a contract provision for payment by the Government on the basis of fixed unit costs of work actually performed.

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

Total cost as billed by Contractor:		$738.40
Exceptions		
By DMEA Finance Officer	None	
Herewith	None	
Total Accepted Cost		$738.40

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Three Hundred Sixty-Nine and 20/100ths Dollars

----- $369.20 -----

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

Date 9/26/56

Donald T. Zemek
Auditor

Form MF-E-4 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.5

RECEIVED
JAN 19 1956

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of November, 1955 Docket No. DMEA -3605 Contract No. Idm E 878
Operator's Name Hurst Majors Minerals lead zinc
Address Manhattan Kansas
Contract Amount, $ Government Participation: 50 % Amount, $

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling	$738.40	none	$738.40			
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	$738.40	none	$738.40	738.40	None	738.40

I certify that the above bill is correct and just and that payment therefor has not been received.
Date 12-3-55 *Payee Hurst Mayo
Per Title

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$369.20

Signature
(Authorized Certifying Officer)
Date 1/13/56 Vou. No. DMA 56-57

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E878 in accordance with the terms of the contract.

Signature C. M. Harrer $369.20 Title Mining Engineer Date 12-15-55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature E. N. Hansmann Title Acting Executive Officer Date DEC 23 1955

MONTHLY REPORT OF OPERATOR

The Operator (Contractor) of an exploration project is required to make a monthly report to the Government through the Regional Executive Officer. This report consists of three parts as follows:

(a) *Form MF-104—Operator's Monthly Report and Voucher.*—This form details expenditures and constitutes a voucher for reimbursing the Operator for the Government's share of costs;

(b) *Form MF-104A—Operator's Unit Cost and Progress Report.*—This is a statistical report of expenditures which shows costs for the various types of operation; and

(c) *Narrative.*—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered must be furnished as an attachment to this Report and Voucher. Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

The Monthly Report of Operator should be prepared in an original and four copies all of which must be sent to the Executive Officer of the Region not later than the 15th of the month following.

Preparation of Form MF-104—Operator's Monthly Report and Voucher.—All the applicable spaces in Form MF-104 should be filled in by the Operator, and the Operator or his agent should sign the certification in the lower left corner of the form.

The items of costs are arranged in the order they appear in Article 6 (a) of Form MF-200 (Revised February 1952), however, this form is readily adaptable for use in reporting activities under other contract forms.

Under Item (1) delete words "Short Form" if the contract is a sub-contract under Form MF-200; and delete word "Independent" if the contract reported is on Form MF-200 (A). Also, report work paid for on a unit basis under contract Form MF-200 as though it were performed under an independent contract.

Under Item (2) include labor, supervision and technical services incurred for the exploratory operations. Do not include labor, supervision and technical services used for work performed under items (5) and (6).

Under Item (3) include the costs of material and supplies used in the project other than that used under items (5) and (6).

Under Item (4) appear the three types of operating equipment expenditures, that is, rental, purchase and depreciation. The expenditures made for renting equipment belonging to a third party will be reported under "Rental". The amount paid or duly obligated for payment for the purchase of equipment will be reported under "Purchase". The amount of expenditures due the Operator to reimburse him for depreciation of equipment owned will be reported under "Depreciation".

Item (5) comprises costs of labor, supervision, technical services, materials, etc., which are used in the initial rehabilitation and repair of existing buildings, installations, fixtures, and equipment. These costs, therefore, should not be reported under items (2) and (3).

Item (6) includes the labor, supervision, technical services, materials, etc., used in the installation or construction of new buildings, fixed improvements, etc., necessary for the project. These costs, therefore, should not be reported under items (2) and (3).

Item (7) covers miscellaneous types of expenditure such as payroll taxes, liability insurance, workmen's compensation insurance, repairs to equipment and sampling and analysis. Only that part of payroll taxes, liability insurance and workmen's compensation which are paid by the operator should be reported under item (7). The share paid by the employee as a payroll deduction is to be included under item (2) as labor costs.

Item (8) includes any unforeseen costs not included in the other seven categories.

The original of Form MF-104 when submitted for reimbursable expenses incurred under contract Form MF-200 must be supported by original documentation or by certified copies of purchase orders, payrolls or transcripts of payrolls, unless such documentation has been waived by the Regional Executive Officer. This certification may be stated thus, "Certified True Copy (or Transcript)", followed by appropriate signature. If the Executive Officer of the Region determines that a contract under Form MF-200 should have an "on-site" audit, that is, a Government auditor should make an audit of the Operator's books and records of account, the Operator need not support his monthly voucher with original or certified documents except in cases of equipment purchases whose individual costs exceed $50.00. In these cases the original or a certified copy of the purchase order or invoice should be attached to the Monthly Voucher. N. B.—Only the *original* of Form MF-104 is required to be documented. The four copies of Form MF-104 are not to be thus supported.

Form MF-104 submitted for reimbursement under fixed price contracts on Form MF-200 (A), however, are not required to be supported by documentation of any kind. The Operator will submit his claim under item (1) of Form MF-104 by deleting as stated above the word "Independent" and by showing the number of feet or other units immediately after the appropriate descriptive word, such as, drilling, bulldozing, crosscutting, drifting, etc., and giving the "Monthly Total" amount due. "Totals Previously Reported", and "Totals to Date" columns should also be filled in.

Form MF 104A
(April 1962)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

RECEIVED
JAN 19 1956

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of November 1955 Docket No. DMEA -3605 Contract No. Idm 878
Operator's Name Hurst Majors Minerals lead-zinc
Address Manhattan Kansas

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT	
							Units	Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core	153 ft	$4/80 per foot					153 ft	$738.40
~~Churn~~	10 in	$738.40					10 in	
~~Auger~~								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS								TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS								

The undersigned company, and the official executing this certification on its behalf, hereby certify that the information contained in this report is correct and complete to the best of their knowledge and belief.

Date 12-3-55 Operator Hurst Majors

Per Title

NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

REMARKS:

(For Government use only)
O. M. Harner – See progress report.

INSTRUCTIONS

Preparation of Form MF-104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better determine the progress of the project; and (2) to furnish more permanent information on mining costs for future use. The more important phases of operation on which permanent information is desired have been outlined in the form. There are blank lines, however, for those unusual phases which may need to be reported for a particular project. It will be necessary for the Operator to distribute his costs among the applicable phases reported with the exception of three items the costs of which are not to be distributed by the Operator. These three items are: "Operating Equipment Purchased", "Initial Rehabilitation and Repairs", and "New Buildings, Improvements, etc." The reason for not distributing these items on a monthly basis is doubtless clear to the Operator, since such distribution might well overstate the cost for any one month or period short of the entire contract period.

Form MF-104A has been designed to tie in with Form MF-104 for both monthly and cumulative costs. The "Total Costs" on Form MF-104A for each month should equal the monthly "Total Costs" as reported on Form MF-104. This is also true of the "Total Costs To Date".

In preparing Form MF-104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active for the month. Such distributions should be made on the basis of time spent on the various phases, on man days of labor charged to such phases, or on some other equitable basis. "Operating Equipment", "Initial Rehabilitation and Repairs", and "New Buildings Improvements, etc.", will be distributed to the several phases of the project by the Washington Office of DMEA at the close of the project if determined necessary. The last two columns headed "Authorized by Contract" will be filled in by the Operator if such information is found in the contract. This information is usually a part of Exhibit "A" of the contract. A space for remarks has been provided for the use of the Operator to call attention to any unusual circumstances causing excessive or disproportionate unit costs.

GPO 872894

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

RECEIVED
JAN 19 1956

224 New Customhouse
Denver 2, Colorado

December 23, 1955

Memorandum

To: T. A. Christensen

From: Acting Executive Officer, DMEA Field Team, Region III

Subject: DMEA Docket 3605 (Lead-Zinc) Contract Idm-E878, Hurst Majors Mineral Farm Mine, Ouray County, Colorado - Operator's Monthly Progress Report, for the period November 1955

Enclosed are the original and four copies each of Forms MF-104 and MF-104A, Narrative Report, and Engineer's Report for the above period.

It is deemed that the Operator has complied with the intent of the contract, and the work for which payment is recommended is acceptable to the Government. No documentation is required for work performed under contracts prepared on Form MF-200A, therefore, we recommend that payment be made for 50 percent of the amount reported by the Operator on Form MF-104, contingent on your verification of arithmetical accuracy within the report.

Remarks

Date of Report- - - - - - - - - - - - - December 3, 1955
Date Received in Field Office- - - - December 9, 1955
Date Received in Region Office- - - December 19, 1955

E. N. Harshman

E. N. Harshman

Enclosures
JDC:jy
cc: MF-104 File E878
Sec. Op. Comm. (2)
Shaw (2)
Chron.

RECEIVED
JAN 19 1956
BUREAU OF MINES
Denver, Colorado

Building 20
Denver Federal Center
Denver 2, Colorado
December 15, 1955

REGION III

Memorandum

To: Executive Officer, DMEA Field Team, Region III

Through: John F. Shaw
Supervising Mining Engineer

From: C. M. Harrer

Subject: DMEA 3605, Contract Ida-2873 (Lead-zinc) Hurst Majors Mineral Farm mine, Ouray County, Colorado - First progress report for November, 1955

Progress under the contract was examined in the company of John D. Crim of Ouray on December 7, 1955. Access to the property was gained by wading through hip-deep snow.

Hole No. 1, which is centrally located between proposed holes 2 and 3, was completed to a depth of 153 feet and 10 inches. This was verified by examination of the core which is stored underground in wooden core boxes. The hole was drilled vertically, starting on October 22. The first 13 feet were drilled size AX; the rest of the hole was drilled size EX. Overall core recovery averages about 72 percent. Principal losses were due to mud seams and vugs.

The hole penetrated siliceous limestone exhibiting vugs of silica to a depth of 139 feet 04 inches where a dark shale was encountered which persisted to the bottom of the hole. The limestone proved barren to very weakly mineralized with very fine pyrite. The only evidence of strategic mineral was a few small specks of sphalerite with very little pyrite between depths of 0 to 13 feet.

In addition, the applicant has drilled two holes to the east, from the same set up. These holes dip -30° and -45° and are 34 and 40 feet deep. The core from both holes is barren of lead and zinc.

The applicant has removed all equipment from the mine for the season. Mr. Crim states that drilling will be resumed next year when the property is again accessible.

Payment is recommended for the hole completed to the depth reported as 153 feet and 10 inches at an overall cost of $738.40. Government participation of 50 percent is $369.20.

The forms MF-10AA are in error as follows:

1. Unit cost of $4.80 per foot is not in unit cost column
2. Cost for the month should be duplicated in the cost to date column
3. Unit column should state feet and inches
4. 153 feet and 10 inches drilled should be in units this month column and units to date column
5. Total columns should be filled out
6. Remarks should state "Closed down for the winter"

C. M. Harver

C. M. Harver
Mining Engineer

CMH/mr
cc: 6
Idm-2076
Chron.

MAJORS PRODUCE COMPANY

MANHATTAN, KANSAS

RECEIVED
DEC 9 - 1955
Div. of Mineral Technology
Region on

DISTRIBUTORS OF
"CHEMI-CA'PELLETS"
(CHEMICAL-CAPON PELLETS)

December 3d 1955

JAN 10 1956

U.S. Department of Interior,
Denver, Colorado,
Gentlemen;

Docket DMEA—3605 Contract E878

Herewith monthly progress reports on the work being done at Ouray, Colorado on my property.

Mr. Crim, the man in charge of the drilling operations, has prepared a log covering the depth of the hole, and I enclose his original copy. (His wife typed the report and spelled silicious "solicitous")

He also shows a graph of his experience drilling this hole.

—

The cores are stored in the workings at the mine.

There is snow waist deep on the property at Ouray. We were not able to get fuel to the property in late November, but finished the first hole to shown depth of 153 feet ten inches before we admitted we were thru for the winter. I am advised that the snow was the heaviest early snow in Ouray for forty years.

Before we left the location, we drilled two or three holes into the top quarts at different angles just to see what we would find, but we did not start either of the other locations previously approved by your field man. I do not know when we can start these other holes. Certainly not within your time limitation of January first.

The fixed unit cost set by you—$4.80 per foot—is scarcely one-third of the actual cost of drilling in that formation up there.

Respectfully,

Burt Majors

Drillers log—Contract Ida—S 878—Mineral Farm—Ouray, Colorado

RECEIVED
JAN 19 1956

Hole Number 1 Total Depth 153 feet 10 inches

0 to 13 feet AXL size, 13 to 153'10" EXL size

0 to 18 inches drilled with jack hammer to start hole. AXL from 18", then 2 feet lime, then 4 inches quartz; slight mineralization. 2 inches lime, 6 inches quartz, 3 feet 7 inches lime; large cavity, several small ones. Then 4 inches quartz, slight mineralization.

Then 6 inches lime, then one foot 4 inches quartz, slight mineralization. Then 4 inches lime; small spots of galena. Then 11 inches lime, 6 inches quartz.

13 feet of hole less 18 inches for collar.

Start on E X core at 13 feet.

13' to 13'6" qyarts. 13'6" to 15'3" silicious lime or lime with small stringers if quarts.

15'3" to 45' silicious lime. 45' to 69' silicious lime

From 68' to 68'10", lime of a very soft nature, blocked core up and might Co

69'10" to 73', lime. 73' to 77'9" lime, some a pale pink in color, maybe iron stain, miniature particles of pyrite.

77'9" to 116' silicious lime, then from 116' to 116'10" mud that blocked rod string in hole. When we got it out there was no core, drill water was a light brown color.

116'10", to 121'9" silicious lime

121'6" to 123'10", miniature fractures in the lime show some pyrite.

123'10" to 127(1" silicious lime of a slightly darker color

127'1" to 139'4" silicious lime

139'4" we hit a very dark shale, resembles a slate just like shale that is found in the canyon of Uncompahgre Creek, just east of drill site one-half mile.

139'3" to 153'10" dark shale.

Surface

Old
Ore
Channel

Collar of
Hole #1

13 feet

Quartz
and lime.
Small amounts
of galena & zinc

AXL

45 feet

Silicious Lime
No ore

73 feet

77'9"

Silicious
lime some
pale pink
in color

a little
pyrite

116'

Silicious lime
10 inches of mud 116' to 116'10"
no ore

123'

some
pyrite in
fractures of
lime

139'

Silicious lime No ore

153' 10"

A very dark
shale

C
O
P
Y

November 6, 1957

Memorandum

To: Jay L. Chambers, Director
Division of Contract Administration & Audit

From: Director, Division of Base Metals

Subject: Concluded Projects

The following dockets are closed and no further action remains. No closing letters are being sent due to excessive time lag but please consider them as having been finalized.

Contract No.	Docket No.	Name
Idm-E21	DMEA-1100	United Park City Mines Company
Idm-E279	DMEA-2044	Harry E. Brigge
Idm-E546	DMEA-2856	Neuberg Bros. & Sloan, Inc.
Idm-E709	DMEA-3198	Chewelah Copper Company, Inc.
Idm-E798	DMEA-3396	Yuba Dike Mines, Inc.
Idm-E821	DMEA-3684	OgleSWingle
Idm-E878	DMEA-3605	Hurst Majors
Idm-E966	DMEA-4111	Parker Mining & Development Company

W. R. Griswold

WRG/er
Copy to: Docket
Admr. R. File
Mr. Dakan, Code 200
Chron.

Government's copy

TERMINATION AGREEMENT

It is agreed this 14th day of September, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Hurst Majors, hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-E878 (Docket No. DMEA-3605), dated September 21, 1955, hereinafter called the "Contract," that:

1. Effective November 15, 1955, the Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

2. The Government shall contribute only to the fixed unit costs of work performed prior to said effective date.

3. All rights of the Government under the Contract with respect to records, audits, and recovery of any overpayment are preserved.

4. The Operator hereby releases and agrees to save the Government harmless from all claims or demands under or arising out of said Contract, except as otherwise provided in this termination agreement.

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

THE UNITED STATES OF AMERICA

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

HURST MAJORS

Hurst Majors

RECEIVED
SEP 26 1956

EXPLORATION PROJECT CONTRACT
HURST MAJORS
DOCKET NO. DMEA 3605
CONTRACT NO. IDM-E878

AMENDMENT NO. 2

It is agreed this 12th day of January, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Hurst Majors, hereinafter called the "Operator," parties to that certain Exploration Project Contract No. Idm-E878, Docket No. DMEA 3605, dated September 21, 1955, hereinafter called the "Contract," that:

1. The date fixed under "Article 3" of the Contract for completion of the work is extended to September 1, 1956.

2.(a) Work under the Contract shall be suspended during the period beginning November 15, 1955, and ending not later than July 1, 1956.

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

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 fixed or agreed unit cost of any item of work.

Executed in sextuplet the day and year first above written.

HURST MAJORS - Operator

By Hurst Majors
Hurst Majors

UNITED STATES OF AMERICA

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

MAJORS PRODUCE COMPANY
MANHATTAN, KANSAS

Date Rec'd
JAN 11 1956
BUREAU OF MINES
Denver, Colorado

DISTRIBUTORS OF
"CHEMI-CA'PELLETS"
(CHEMICAL-CAPON PELLETS)

January 10, 1956

U.S. Department of Interior,
224 New Customhouse
Denver 2, Colorado,
Gentlemen;

Re Docket DMEA---3605
Contract Idm- E 878
Mineral Farm Group
Ouray County Colorado

As stated in my narrative report for the month of November 1955, we were forced to shut down operations when a two foot snow buried the road to the property on Mineral Farm.

The last work we did on Mineral Farm was on November 14th, 1955 The men walked up that day, did a little work, but were unable to get fuel up the hill for further work.

Normally the road to the property is closed by snow until late May; early May is a possible date. I would think we better estimate that we might start drilling again by June 1st 1956.

It took us approximately 3 weeks to drill the first hole to 153 feet. I would estimate it will require 2 months to complete three holes.

I am also assuming that the Government will wish to continue the exploration up there, after studying the cores and after assays have been made on the cores brought up in the first hole.

Respectfully,

Hurst Majors

RECEIVED

DEC 13 1955

No. 1

AMENDMENT OF CONTRACT: No. Idm-E878

CONTRACT Docket No. DMEA 3605, dated September 21, 1955, between the United States of America and Hurst Majors, is hereby amended as follows, effective as of the date of the Contract:

> Referring to EXHIBIT "A" attached to Exploration Project Contract form MF-200A (Revised June 1954), caption "Description of the Work," second paragraph, delete the second sentence which reads, "The size of the holes shall be not less than AX."

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 9, 1955

UNITED STATES OF AMERICA

By W M Traver

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

HURST MAJORS

Hurst Majors

Building 20
Denver Federal Center
Denver 2, Colorado
November 14, 1955

REGION III

Memorandum

To: Executive Officer, DMEA Field Team, Region III

Through: John F. Shaw
Supervising Mining Engineer

RECEIVED
DEC 13 1955

From: C. M. Harrer

Subject: DMEA 3605, Contract Idm-2878 (Lead-zinc)
Hurst Majors (Mineral Farm mine), Ouray County, Colo. -
Progress report for October 1955

Messrs. Hurst Majors and John Grim were contacted at the property on November 1, 1955. Drilling started on October 21, 1955, on vertical hole no. 1. This hole was started AX and drilled for 13 feet through hard quartz and siliceous limestone. So much difficulty was experienced in drilling that the hole was continued from this depth in size EX. At the time of inspection, the hole had progressed satisfactorily for a depth of 104 feet with good core recovery. In the upper 10 feet, very small spots of sphalerite were noted in almost massive quartz. Beyond this depth no mineralization was noted other than occasional faint limonite staining. Rock penetrated was quartz and very siliceous limestone.

C. M. Harrer

C. M. Harrer
Mining Engineer

cc 6
Idm-2878
Chron

CMH:ph

REGION III

Memorandum

Building 20
Denver Federal Center
Denver 2, Colorado
November 14, 1955

To: Executive Officer, DMEA Field Team, Region III

RECEIVED
DEC 13 1955

Through: E. N. Harshman E.N.H.
Member, Field Team

John F. Shaw JFS
Supervising Mining Engineer

From: C. M. Harrer

Subject: DMEA 3605, Contract Idm-2878 (Lead-zinc)
Hurst Majors (Mineral Farm mine), Ouray County, Colo. -
Core drilling change from size AX to size EX

In a letter dated October 28, 1955, Hurst Majors states that extreme difficulty was evidenced in core drilling quartz and very siliceous limestone formations necessitating a change from size AX to size EX after 13 feet of advance. Inspection of drilling size EX indicates good core recovery.

It is recommended that size EX hole be approved only if core recovery is good and holes are completed to their objective. No uncompleted holes would be paid for.

C. M. Harrer
C. M. Harrer
Mining Engineer

cc 9
EHHarshman
Idm-2878
Charon

CMH:ph

October 28, 1955
Ouray, Colorado

DMEA
Date Rec'd.
OCT 31 1955
BUREAU OF MINES
Denver, Colorado
RECEIVED
DEC 13 1955

W.M. Traver,
Executive Officer, DMEA
Field Team Region III
Denver, Colorado,
Dear Mr. Traver ;

Re; DMEA 3605 Contract Idm E 878

This will confirm the gist of my phone conversation with Mr. Shaw on Thursday morning October 27th.

I arrived in Ouray, from my home in Manhattan, Kansas, last Monday October 24th. Mr. John Grim had started his drilling program the preceding Friday, in the middle location of the three staked out by Mr. Harrer and Mr. Grim.

In five days of drilling, the men had been able to penetrate the extremely hard quartz and limestone only 14 feet. There was nearly 10 feet of quartz, and the AXL bit would simply not core the formations.

On Wednesday, Mr. Grim brought a Mr. C.C. Chamberlain, Supervising Engineer of the Idarado Mining Co., to our property on Mineral Farm, for his advice as to our best procedure. He and Mr. Grim had brought from the Idarado, a smaller bit (EXL) with some smaller pipe, and they went into that quartz with the smaller bit a total of learly 12 feet in four hours.

Mr. Chamberlain told me he thought the EXL would tell me what we needed to know, and Mr. Grim and his driller advised me they saw no possibility of putting the large hole through that Mineral Farm lime, so I had to make a decision on the spot as to my next move.

My contract with the Government is on the basis of $4.80 per foot for AXL. This is of course far below existing costs, and hardly one half of what my cost is going to be even drilling EXL. I am not complaining about this; I accepted your contract and am fully bound by its terms, though frankly I was surprised when we got bids from commercial drillers who asked $14.00 and $16.00 per foot for the rather small footage, 450 feet, on Mineral Farm (after I agreed to your $4.80 figure)

But we set up the operation ourselves; hired a driller to operate the machines, with our help; rented compressor, drills, etc. at a cost of over $1500.00 per month, besides labor, and tried our best to put down AXL core.

I have definitely decided that we cannot put 3 holes into that property AXL. Then what should our next move be?

We are going to try to reach the shale through the limestone with the EXL bit If the Government will approve the change to EXL, we will do our best to drill the contract holes to a total of 450 feet. If however it is your position that the holes must be AXL, we will do as much work as we can, in thirty days, on our own——since we have rentals paid for a month——and of course not expect any participating loan from the Government.

I can spend only a limited time in Ouray. I wanted to get as much done as possible while I am here. I made the change to EXL because it seemed to be the only way we could get the job done in that unusually hard lime formation up there.

Mr. Shaw said that Mr. Harrer will be here next Monday. I will talk with him about our problems. The men are going to work long hours Saturday, Sunday and Mondays day and night, to try to get deep in the lime before he arrives.

I would like to leave Ouray for Kansas on Tuesday afternoon or Wednesday morning, and hope to know just what Mr. Grim should plan to do after I go—hence I would greatly appreciate it if you can make a ruling on the EXL change while Mr. Harrer is in Ouray. We are already in trouble with the weather at ouray, and every day's delay will cause new problems of supply and access to the property.

If your decision is that only AXL is acceptable, we will go on our own. If you agree with Mr. Chamberlain and my own men that EXL will tell the story, we'll try to finish the original 3 holes before winter stops us.

Respectfully,

Hurst Major

Hurst Major

Contract No. Idm-E-878

Docket No. 3605

DEPARTMENT OF THE INTERIOR

Terminated contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
September 21, 1955	III	Colorado	Lead-Zinc

Name and Address of Operator: Burst Majors, Manhattan, Kansas

	Reserve	Obligation
Prior Amount	0	$1,100.00
Increase	0	0
Decrease	0	730.80
Revised Amount	0	$ 369.20

Remarks:

Allen S. Dakan, Chief (Name)
Operations Control and Statistics Division (Title)

Date Delivered to Bureau of Mines, Washington 10/30/56

98963

Docket No. 3605

Commodity Lead-Zinc

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 878

Date of Contract ~~amendment~~: September 21, 1955

Name and Address of Operator:

Hurst Majors
Manhattan, Kansas

Amount of Government participation ____ $1,100

Percent of Government participation 50 %

Region: III State: Colorado

E H Talbert
(Name)
for J. L. Chambers, Chief
Contract Administration and
Audit Division

(Title)

Date Delivered to Bureau of Mines, Washington.

9/21/55

54458

Government's copy

MF-200A
(Revised June 1954)

Docket No. DMEA -3605

Commodity lead-zinc

Contract No. Idm-E 878

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXPLORATION PROJECT CONTRACT[1]
(Short Form)

It is agreed this SEP 21 1955 day of ....., 195...., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] Hurst Majors

whose mailing address is Manhattan, Kansas

hereinafter called the "Operator," as follows:

ARTICLE 1. *This contract* is entered into under the authority of the Defense Production Act of 1950, as amended. It consists of this form (MF-200A), the attached Exhibit "A," Annex I, and map.

The Operator shall not transfer or assign this contract or any right thereunder without the written consent of the Government.

ARTICLE 2. *Operator's property rights.*—(a) The land which is the subject of this contract (hereinafter called "the land") is in the State of Colorado, County of Ouray, and is described in Annex I.[3]

(b) The Operator represents and undertakes that:

(1) The Operator is the [4] owner of [5] the entire interest in the land, in possession and entitled to possession for all of the purposes of this contract, under and by virtue of a [6] --, [7] recorded in Book --, page --, official records of said County; and

(2) The Operator's right, title, or interest (whether as owner, lessee, or otherwise) is subject only to the following claims, liens, or encumbrances: none.

(c) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above, and (if the Operator does not hold the legal title) the Consent to Lien of any holder of the legal title of the land (lessor, seller, optionor, etc.), are attached, as follows: .....

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] Insert name, and if an organization, its nature (corporation and place of incorporation, partnership with names of partners, etc.).
[3] State on a separate sheet marked "Annex I" the legal description or enough to identify the property, particularly excluding any areas from which the production is not to be subject to the Government's percentage royalty.
[4] Insert "owner," "lessee," "contract purchaser," "locator," etc.
[5] Insert "the entire interest," "the mineral rights," "an undivided one-third," etc.
[6] Insert "deed," "lease," "contract," "location notice," "patent," etc.
[7] If not recorded, so indicate by inserting "un."

16—70618-1

(d) The Operator shall preserve and maintain his right, title, and interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. Until the lapse of the time within which the Government may make a certification of discovery or development without any such certification having been made, and after any such certification has been made, the Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof. If the Government makes no certification of discovery or development within the time limited in Article 7, it shall thereafter have no claim against the land or any production therefrom except for any production referred to in Article 7(b)(1).

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of lead and zinc. The work to be performed is described in Exhibit "A." The Operator on or before October 31, 1955 shall commence the work, and on or before Jan. 1, 1956 (unless the Operator's obligation to complete the work is terminated—see Article 8) shall complete the work.

ARTICLE 4. *Performance of the work.*—(a) *Operator's responsibility.*—The work shall be performed with reasonable diligence, efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for liability insurance covering employment; and with suitable and adequate equipment, facilities, materials, supplies, and labor, to bring it to completion within the time fixed.

(b) *Government may inspect.*—The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract, and also after a certification of discovery or development to inspect production operations and underground workings. The operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 5. *Contribution by the Government.*—A fixed cost for each unit of work to be performed (per foot of drifting, per foot of drilling, per hour of operations, etc.) is hereby agreed upon, and is set forth in Exhibit "A" in connection with the estimated total cost of the project in the sum of $2,200.00 The Government will contribute 50 percent of the fixed unit costs as work is performed, in a total sum not in excess of $1,100.00: *Provided,* That until the Operator has rendered to the Government his final report, and any final 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 10 percent of the estimated total cost of the work. The Government will make its contribution on the basis of the monthly vouchers referred to in Article 6(b), but all payments by the Government are provisional only, subject to audit, until the account between the Operator and the Government is finally audited and settled. To the extent that excesses over fixed unit costs or any excess over the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such excesses for his own account without contribution by the Government. The Government may make payments directly to independent contractors and suppliers for the account of the Operator rather than to the Operator.

ARTICLE 6. *Reports, accounts, audits.*—(a) *Operator's records.*—The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine any pertinent books, documents, papers, and records of the Operator. All of the Operator's vouchers and records and accounts relating thereto and the Government's payments thereof remain subject to adjustment until final audit by the Government.

(b) *Progress reports and vouchers.*—The Operator shall provide the Government with five copies of monthly progress reports in three sections as follows: (1) Operator's Monthly Report and Voucher showing a detailed statement of units of work performed during the reporting period; (2) Operator's Unit Cost and Progress Report showing the various types of work performed during the reporting period and the fixed unit costs incurred for each type of work; and (3) a Narrative Report of the work

performed during the reporting period including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground. (Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) *Final report.*—Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final progress report and voucher). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) *Report of sales.*—The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's percentage royalty relates, such as copies of smelter or concentrator settlement sheets, and certified accounts of production and sale or other disposition of production.

(e) *Compliance with requirements.*—If in the opinion of the Government any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the making or completion of such with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records or accounts.

ARTICLE 7. *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 a sufficient final report and final account (see Article 6) 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.

(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, within 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 crude 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 (1½) 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 (½) 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 (1½) percent; on an amount of ten dollars ($10.00) per ton, three and one-half (3½) percent.)

(f) *Time for computation and payment.*—The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be, as above provided in this article.

(g) *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.

(h) *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.

(i) *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 production operations.

(j) *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.

ARTICLE 8. *Termination of the Government's obligations.*—(a) If in the opinion of the Government operations at any time have failed to achieve anticipated results that indicate the probability of making a worthwhile discovery, and in the opinion of the Government further operations are not justified, the Government may give the Operator written notice thereof, and thereupon the Government shall be free of all obligation to pay on account of units of work not then performed, and the Operator shall be free of all further obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting.

(b) If in the opinion of the Government the Operator is in any manner in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting. The remedy provided for the Government in this paragraph "(b)" is in addition to any other remedy provided in this contract, and in addition to any other remedy the law may provide for breach of contract.

(c) The giving of any notice by the Government under the provisions of this Article 8 shall not affect the Government's rights as provided for in the contract with respect to a percentage royalty, and such rights shall be fully preserved.

ARTICLE 9. *Notices to be given by the Government* may be delivered to the Operator, or may be sent by registered mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 10. *Officials not to benefit.*—No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE 11. *Changes and added provisions.*—

Executed in sextuplicate the day and year first above written.

HURST MAJORS
(Operator)

Hurst Majors

By .....

.....

THE UNITED STATES OF AMERICA

By O Mittendorf
Administrator, Defense Minerals
Exploration Administration

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—70618-1

EXPLORATION PROJECT CONTRACT
HURST MAJORS
DOCKET NO. DMEA-3605

ANNEX I

The land referred to in Article 2 of the contract consists of the following patented claims:

Claim	Survey No.
Mineral Farm No. 1	200
Mineral Farm No. 2	201
Mineral Farm No. 3	202
Mineral Farm No. 4	203
Miser's Desire	6550
Miser's Dream	989
Midnight	1149A
Forest	1149A

All of these claims are shown on the attached map entitled "Map Showing Location of Proposed Drill Holes in Relation to Boundaries of Property, Mineral Farm Mine, Ouray County, Colo."

EXPLORATION PROJECT CONTRACT
HURST MAJORS
DOCKET NO. DMEA-3605

EXHIBIT "A"

Description of the Work

The purpose of the work is to explore for ores of lead and zinc by diamond drilling. The work program consists of drilling three holes downward from the floor of the old east stope, about 450 feet in combined total length.

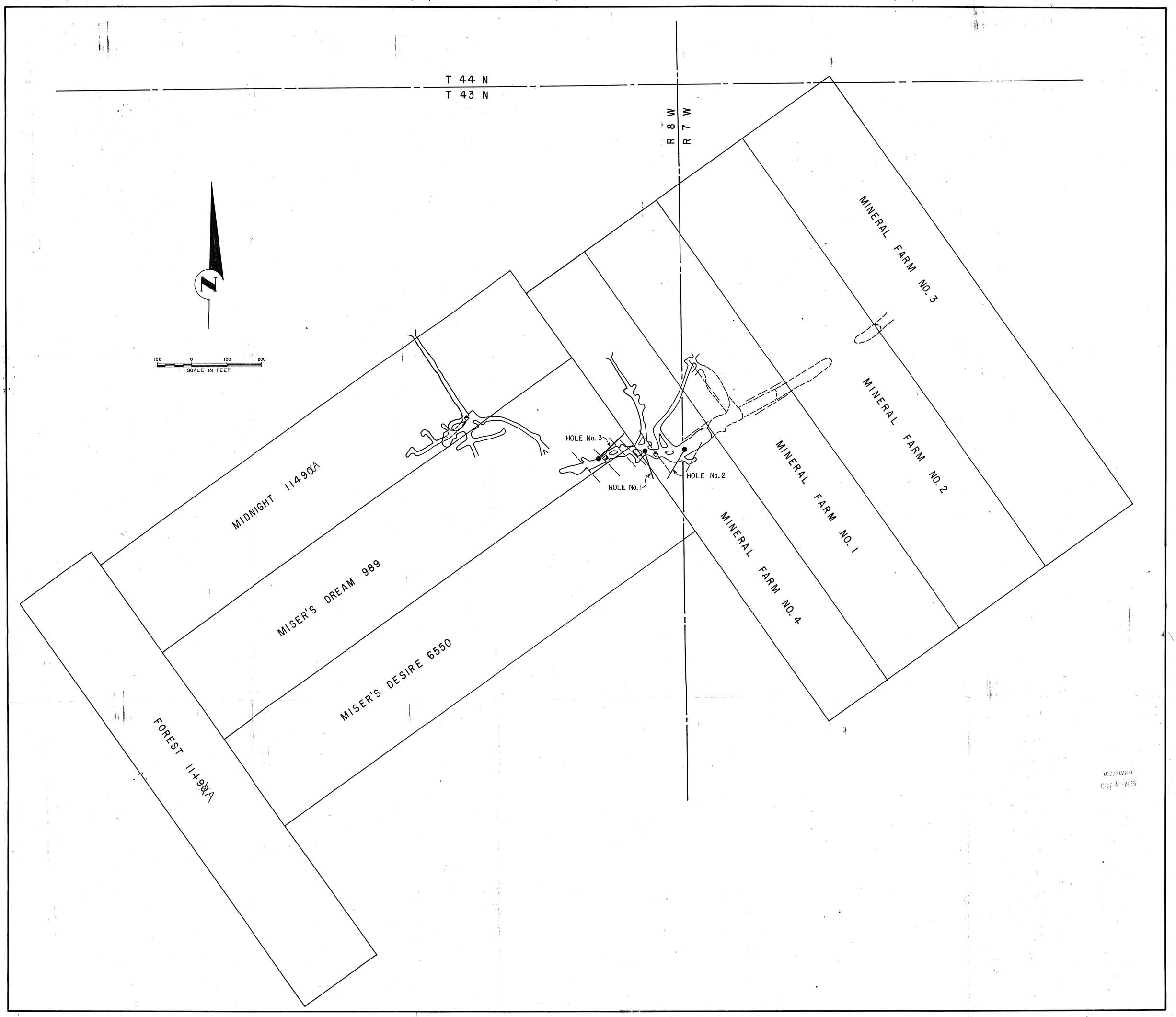
The location, inclination, direction, and extent of each hole are subject to the approval of the Government. The size of the holes shall be not less than AX. The approximate positions of the holes are shown on the attached map.

The entire length of each drill hole shall be cored. All core shall be boxed and the boxes marked to indicate proper depths and stratigraphic sequence. All mineralized core shall be split, and one half shall be used for analysis and the other half retained for the Government's use. A driller's petrographic log shall be accurately kept. Copies of assay results and driller's log must accompany each monthly report of the Operator. In cases of core recovery of less than 75 per cent, sludge samples shall be taken for analysis.

Fixed Unit Costs

(The unit costs include all costs whatsoever necessary to complete the work.)

450 feet of diamond drilling @ $4.80/ft.	$2,160.00	
8 samples assayed for gold, silver, copper, lead and zinc @ $5.00 per sample	40.00	
Estimated Total Cost of Project		$2,200.00
Government Participation @ 50%		$1,100.00



MAP SHOWING LOCATION OF PROPOSED DRILL HOLES IN RELATION TO BOUNDARIES OF PROPERTY, MINERAL FARM MINE, OURAY COUNTY, COLO. DMEA 3605