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TERMINATION AGREEMENT

It is agreed this 17th day of October, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Lee R. Cox and T. R. Gillenwaters, hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-8996, Docket No. DMEA-1833, dated August 22, 1956, hereinafter called the "Contract," that:

1. Effective as of August 22, 1956, the Contract and all obligations of the parties thereunder shall be and are hereby terminated.

2. The Government shall make no contributions to any work under the Contract.

3. The Operator hereby releases and agrees to save the Government harmless from all claims or demands under or arising out of the Contract.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

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

L. E. Cox
Lee R. Cox

T. R. Gillenwaters
T. R. Gillenwaters

Indutz 10/12/56
Lawyer
Appd. Sol. Off.
Ching
Ellis
Chambers
Selfridge.

FROM SOLICITOR
OCT 15 1956
FOR SIGNATURE

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SEP 2 1956

MF-200
(Revised June 1954)

Docket No. DMEA 4235

Commodity Uranium

Contract No. Idm-E 996

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

EXPLORATION PROJECT CONTRACT[1]

It is agreed this AUG 22 1956 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] Lee E. Cox and T. R. Gillenwaters, partners, whose mailing address is P. O. Box 1451 Grand Junction, Colorado, 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-200), the attached Exhibit "A," Annex I, and 2 maps (Figure 2 and Figure 3).

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 Mesa, and is described in Annex I.[3]

(b) The Operator represents and undertakes that:

(1) The Operator is the [4] lessee of [5] the mineral rights in the land, in possession and entitled to possession for all of the purposes of this contract, under and by virtue of a [6] Mining Lease & Amendment 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

[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."

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Lien and Subordination Agreement of Okan Uranium Corporation.

(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 8, it shall thereafter have no claim against the land or any production therefrom except for any production referred to in Article 8(b)(1).

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of Uranium. The work to be performed is described in Exhibit "A." The Operator on or before October 1, 1956, shall commence the work, and on or before November 30, 1956 (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall ~~either have completed the work or shall have incurred allowable costs (see Article 6) in a sum not less than the estimated total allowable cost set forth in Exhibit "A."~~ See Article 13.

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) *Independent contracts.*—To the extent that the allowable costs are estimated in Exhibit "A" with express reference to performance by independent contractors on a unit-price basis (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations), the work may be so performed; but if the reference in Exhibit "A" to any such independent contract requires the Government's approval thereof, payments under such contract will not be allowable costs unless the Government gives its written approval of the contract. Any such independent contract shall refer to some specific and identifiable part of the work, and shall be subject to all of the pertinent terms and conditions of this exploration contract; but the Government shall not be considered a party thereto, and its rights under this contract, including the right to terminate its contributions, shall not be affected thereby. Regardless of the provisions of any such independent contract and regardless of the Government's approval thereof, the Government will participate in payments to the independent contractor only on account of work performed in accordance with the provisions of this exploration project contract, and only to the extent that the Government deems the unit prices for the work under the independent contract to be reasonable.

(c) *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.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $19,960.00. The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $14,970.00: *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 or not in excess of the amount of the Government's contribution to the cost of property which is or may become subject to disposal as provided in Article 9(c), whichever is greater. The Government will make its contribution on the basis of the monthly vouchers referred to in Article 7(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. "Costs incurred" mean costs that have been paid or have become due and payable, or that in the opinion of the Government have become an obligation. The Government may make payments directly to independent contractors and suppliers for the account of the Operator rather than to the Operator.

ARTICLE 6. *Estimated costs.*—(a) *Categories of costs.*—The allowable costs of the work to which the Government shall contribute are limited to those that are direct, reasonable, necessary, and that are estimated in Exhibit "A" by categories as specified in this article. If any category or subcategory is omitted from the estimate of costs, or if the word "none" is annexed to the listing thereof, costs under such category or subcategory are not allowable. Any excess over any estimate which is indicated as the maximum of any category, subcategory, or item, either as to requirement or related cost, and any excess over the estimated total allowable cost of the work, shall not be allowable. Any excess over the estimate of any category, subcategory, or item, either as to requirement or related cost, not indicated as a maximum shall be allowable within the limit of the estimated total allowable cost of the work. To the extent that excesses over maximums other than the estimated total allowable cost of the work may be necessary for the performance of the work, the Operator shall incur such excesses for his own account without contribution by the Government; ~~but except for any such necessary excesses in categories, subcategories, or items thereunder the Operator is not obligated to incur more than his agreed percentage of the estimated total allowable cost of the work.~~ See Article 13.

To the extent specified in this article or in Exhibit "A" the following categories, subcategories, and elements thereof are maximums; but if not so specified either here or in Exhibit "A" they are not maximums, and may be exceeded within the limit of the estimated total allowable cost of the work:

CATEGORY (1)—INDEPENDENT CONTRACTS.—Work to be performed under independent contracts (see Article 4(b)). The estimated total amount of this category and the estimated cost of each unit of work for performance under an independent contract are maximums. See Article 13.

CATEGORY (2)—PERSONAL SERVICES.

Subcategory (a)—Supervision.—All elements of this subcategory (number of supervisors, periods of employment, rates of pay, and total) are maximums.

Subcategory (b)—Technical services.—All elements of this subcategory (number of technicians, periods of employment, rates of pay, and total) are maximums.

Subcategory (c)—Labor.

CATEGORY (3)—OPERATING MATERIALS AND SUPPLIES.—Includes such items as drill bits and steel, explosives, fuel, pipe, power, small tools costing less than $50 each, timber, track.

CATEGORY (4)—OPERATING EQUIPMENT.

Subcategory (a)—Rental.—The number of each object to be rented [6 mine cars, 1 truck], the rate of rental [$100 per month, $5 per hour], and the total of this subcategory are maximums.

Subcategory (b)—Purchases.—The estimated total of this subcategory is a maximum.

Subcategory (c)—Depreciation.—All elements of this subcategory (time periods, rate of depreciation, and subcategory total) are maximums.

CATEGORY (5)—INITIAL REHABILITATION AND REPAIRS.—Estimates under this category include all requirements and related costs, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The estimated total of this category is a maximum.

Subcategory (a)—Initial rehabilitation and repairs of existing buildings, fixtures, and installations (exclusive of mine workings).—The estimated total of this subcategory is a maximum.

Subcategory (b)—Initial rehabilitation and repairs of operating equipment.—The estimated total of this subcategory is a maximum.

CATEGORY (6)—NEW BUILDINGS, FIXTURES, AND INSTALLATIONS (EXCLUSIVE OF MINE WORKINGS).—Estimates under this category include all requirements and related costs, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The estimated total of this category is a maximum.

CATEGORY (7)—MISCELLANEOUS.—Repairs and maintenance (other than initial) of operating equipment, analytical work, prints and other reproductions, accounting, Operator's share of payroll taxes, liability insurance covering employment, travel, communications, and any other items of requirement or cost that do not fall within any of the first 6 categories.

THE ESTIMATED TOTAL ALLOWABLE COST of the work is a maximum.

(b) *Nonallowable costs.*—The following costs are not allowable for contribution by the Government:

(1) *Costs of the land,* such as rental, depreciation, depletion, or other cost of acquiring, owning, or holding possession;

(2) *Indirect costs,* such as general overhead, corporate management, interest, taxes (other than payroll and sales taxes), insurance (other than liability insurance covering employment), damages to persons, damages to property (other than necessary repairs or replacements of equipment or other property used in the work);

(3) *Previous work* performed or costs incurred before the date of this contract; and

(4) *Deferred payments.*—Any costs incurred by the Operator under any rental-purchase agreement, installment-purchase agreement, or any agreement for the purchase of goods under the provisions of which payment of the full purchase price is deferred more than 90 days from the delivery of the goods; unless the purchase agreement is approved by the Government in writing.

(c) *Reductions in costs.*—The Operator shall account for and give the Government credit for any incidental benefits, credits, or money received in the ordinary course of business in prosecuting the work (as by salvage or sale of materials or equipment, furnishing of room or board, furnishing of power or services to third persons, rebates or discounts on purchases, etc.), in the same ratio in which the Government contributes to costs; and such amounts shall be treated as a reduction in costs incurred so that they are available for use within the limit of the original estimated total cost. This provision does not apply to receipts from production which are subject to the Government's percentage royalty under the provisions of Article 9. **See Article 13.**

ARTICLE 7. *Reports, accounts, audits.*—(a) *Operator's records.*—The Operator shall keep suitable records and accounts of the 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. If the Government elects to audit said records and accounts relating to the exploration work by certified public accountant, it may do so as a cost of the work to which the Operator shall contribute. 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. If work under this contract is carried on in conjunction with any other operations, or if labor, supervision, services, materials, supplies, equipment, facilities, or other requirements for carrying on the work are also used in connection with other operations, the costs shall be segregated and accounted for on a basis and by methods and accounts that are satisfactory to and approved 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 detailed costs incurred during the reporting period; (2) Operator's Unit Cost and Progress Report showing the various types of work performed during the reporting period and 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 related costs incurred.

(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 8. *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 7) 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 therof 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 9. *Interests in purchased property.*—(a) *Title and ownership.*—All costs under this contract shall be incurred by the Operator in the Operator's own name and for the Operator's own account; but any property acquired to the cost of which the Government contributes shall belong to the Operator and the Government jointly in proportion to their respective contributions, although title thereto shall be taken in the name of the Operator.

(b) *Preservation of property.*—Until the final disposal of any property in which the Government has an interest the Operator shall preserve and protect same for the best interest of the Government, any reasonable and necessary costs thereof to be treated as an allowable cost of the project. After the completion of the work or termination of the Government's obligation to contribute, or when such property is not in use for or needed for the work, the Operator shall neither use it without the written consent of the Government nor without paying a reasonable rental to be fixed by the Government for its interest.

(c) *Disposal of property.*—Upon the completion of the work or termination of the Government's obligation to contribute to costs, or when the property is no longer needed for the work, the Operator shall promptly dispose of salable or salvageable property in which the Government has an interest for the joint account of the Government and the Operator, either by return to the vendor, by sale to others, or purchase by the Operator or the Government at a price at least as high as could be obtained from others, unless the Government in writing waives its interest in any such property. Without advance approval of the sales price by the Government the Operator shall not sell at any price any item of property the cost of which was more than $500, and shall not sell at less than 25 percent of the purchase price any item of property which cost $500 or less. The Government, in lieu of approving the sales price for any such item, may itself purchase the item at the best price which the Operator is able to obtain or himself cares to give. Property remaining upon any termination of the work shall be considered in groups or categories (such as drill steel, or explosives, or pipe, or rails), and if the original cost of the remaining unexpended portion of any such group or category is less than $50, the Government waives its interest therein. If necessary to accomplish the disposal of any item the Operator shall dismantle and sever it from the land, the cost thereof to be treated as a cost of the project.

(d) *Default of the Operator re disposal.*—If within 90 days after the completion of the work or termination of the Government's obligation to contribute to costs, or after the property is no longer needed for the work, or after such further time as the Government may in writing allow, the Operator has failed to sell or otherwise liquidate or dispose of any property in which the Government has an interest, the Government, at any time prior to final settlement under the contract, may pursue one of the following two courses: (1) the Government, by written notice to the Operator, may place upon such property what in its opinion is a fair valuation thereof, not in excess of the cost less 1.66 percent per month from the

date such property was purchased under this contract to the termination of said 90-day period; and such property shall thereupon be considered and accounted for as having been purchased by the Operator at the valuation so fixed by the Government; or (2) the Government may enter and take possession of such property wherever it may be found, and remove and dispose of it for the joint account of the parties.

ARTICLE 10. *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: (1) the Government shall be free of all obligation to contribute to costs not then incurred other than such as may be allowable under the provisions of the contract as necessary and incidental to winding up, reporting, and accounting; and (2) 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.

(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: (1) the Government shall be relieved of all obligation to contribute to costs not incurred when the notice was given, other than such as may be allowable by the provisions of the contract as necessary and incidental to winding up, reporting, and accounting; and (2) 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 10 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 11. *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 12. *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 13. *Changes and added provisions.*—

(a) That part of the last sentence of Article 3 beginning with the word "either" is deleted and replaced by the words "have completed the work, except as otherwise provided in Exhibit 'A' with respect to stages of work."

(b) That part of the last sentence in the first paragraph of Article 6(a) commencing after the semicolon is deleted.

(c) Categories (2) through (7) of Article 6(a) are deleted.

(d) In addition to the costs of work estimated in Exhibit "A" by categories of actual costs, the costs of work requirements specified in Exhibit "A" as "Fixed Unit Costs" are allowable costs of the project. The Government will contribute to the fixed unit costs as work units are performed. A "Fixed Unit Cost" is an agreed price for each unit of work to be performed regardless of costs incurred by the Operator. Costs set forth in Exhibit "A" include all allowable costs of the work to be performed under the contract.

(e) In the last sentence of Article 6(c), the words "Article 8" are substituted for the words "Article 9."

(f) Notwithstanding any other provision of the contract, the allowable unit cost per foot of a drilling item is the average unit cost per foot computed on the basis of all the actual unit costs of said drilling item incurred by the Operator: Provided, That the Government will not contribute to any portion of an average unit cost of a drilling item that exceeds the estimated unit cost of said item set forth in the contract.

"Appd. Sol. Off."

Ching
Ellis
Selfridge

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C O Mitterdorf
Administrator, Defense Minerals
Exploration Administration

By L. E. Cox (Partner)
Lee E. Cox

By T. R. Gillenwaters (Partner)
T. R. Gillenwaters

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—70617-1

MF-205
(Combines and supercedes MF-201 and MF-203)
June 1956

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator [redacted]
Docket No. DMEA-[redacted]
Contract No. Idm-E [redacted]
Contract Date [redacted]

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

RECEIVED
SEP - 6 1956

To the United States of America:

Referring to that certain land in the County of [redacted] State of [redacted], described as follows: 2/ [redacted]

Name of Claim	Recorded Original Location			Amended Location		
	Date	Book	Page	Date	Book	Page
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	--	--	--

which is the subject of a proposed exploration project contract, hereinafter called the "contract," with the United States of America, hereinafter called the "Government;" in consideration of the contract and as an inducement to the Government to enter into it, the undersigned hereby--

1. Undertakes and agrees that property in which the Government may acquire an interest or equity under the contract may be dismantled, severed from the land, and removed, as may be provided in the contract; and the Government's interest and equity in such property shall be prior and superior to any adverse right or claim of the undersigned;

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

[redacted]

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

2/ 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.

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: None (State "None" or "See Annex No.____")

Dated this 3rd day of August, 1956.

Arthur S. Kinsey, Pres. [Seal] Enid, Okla. [Address]
Oran Uranium Corporation

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

I, John T. Miller certify that I am the Secretary (Secretary, etc.) of the corporation named herein; that Arthur S. Kinsey who signed this agreement was then President (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

John T. Miller
[Corporate Seal]

EXPLORATION PROJECT CONTRACT
LEE E. COX AND T. R. GILLENWATERS
DOCKET NO. DMEA-4235

ANNEX I

The land referred to in Article 2 of the Contract consists of three standard size lode mining claims and two fractional lode mining claims situated in sec. 6, T. 50 N., R. 18 W. and sec. 1, T. 50 N., R. 19 W., N.M.P.M.&B., Mesa County, Colorado. The land is shown on the maps entitled "Figure 2. Geologic Map Showing the K Et Al. Group of Claims..." and "Figure 3 -- Geologic and Claim Map Showing Location of Proposed Drill Holes...," attached hereto and made a part hereof.

The notices of location of the claims are recorded in the office of the County Recorder of Mesa County, Colorado, as follows:

	Original Location		Amended Location	
Name of Claim	Book	Page	Book	Page
K No. 3	642	233	648	125
K No. 6	642	229	648	129
K No. 5	642	228	648	128
K No. 4	642	227	648	127
Atlas Fraction	658	459	-	-

Excepted Area

The area of the claims designated "Conflicting Claim" on both attached maps is excluded from the land referred to in Article 2 of the Contract.

This area is described as follows:

Any of said claims or any parts of them lying south and east of lines respectively described as follows:

Beginning at a point which bears South 50° 40.5' East, 2004 feet from the southwest corner of section 31, Township 51 North, Range 18 West of the New Mexico Principal Meridian, thence east 842.5 feet, and beginning at the same point, thence south approximately 225 feet.

EXPLORATION PROJECT CONTRACT
LEE E. COX AND T. R. GILLENWATERS
DOCKET NO. DMEA-4235

EXHIBIT "A"

Description of the Work

General Provisions

The work consists of exploration by rotary, non-core drilling to test the known ore-bearing sandstone in the upper portion of the Salt Wash member of the Morrison formation. The location of the work is indicated on the map (Figure 3) referred to in Annex I.

The holes are expected to average approximately 65 feet in depth in areas adjacent to the rim, and to average approximately 100 feet in depth in the northeastern portion of the property, away from the rim. All holes shall bottom in the mudstone directly underlying the known ore-bearing sandstone indicated by previous exploration and development. The holes shall have a minimum diameter of 2½ inches. The Government shall not contribute to the cost of any incompleted hole.

Drilling is expected to be by both dry and wet methods. In dry drilling, cuttings shall be collected with a Duclone sample collector or equivalent unit. In wet drilling, adequate facilities shall be provided for collecting all the cuttings. In either case samples shall be taken at 2-foot intervals and checked for radioactivity. All samples indicating significant mineralization shall be analyzed chemically for uranium and vanadium. A portion of each sample taken shall be properly labeled and stored for inspection and disposition by the Government.

All drill holes shall be logged geologically and probed radiometrically and the record of such logging and probing, together with certified copies of all assay certificates, shall be submitted with the Operator's monthly progress reports.

Access roads and drill sites shall be prepared with a D-7 bulldozer or equivalent unit.

The project work shall be supervised at all times by a competent geologist or mining engineer, who shall devote full time to the project.

The location, direction, inclination, and extent of all project work are subject to the approval of the Government.

The work is divided into two stages as hereinafter described. The Operator shall complete Stage I, and shall perform as much of the Stage II work as the Government approves in writing in advance.

The drilling pattern in both stages is the same, and consists of a series of northeast-southwest fences perpendicular to the apparent trend of known ore exposures. The fences are spaced at 75-foot intervals, the holes in each fence are spaced at 150-foot intervals, and the holes are staggered in alternate fences.

Stage I

Prepare access roads and drill sites, and drill not more than 66 holes aggregating approximately 4,890 feet as indicated on the map (Figure 3). If the 66 holes require more than 4,890 feet to reach the desired horizon, the additional footage and funds required may be transferred and deducted from Stage II upon the written approval of the Government.

Stage II

Prepare access roads and drill sites and drill not more than 76 holes aggregating not more than 7,600 feet as indicated on the map (Figure 3).

Estimated Cost of the Project

Stage I

Actual Costs

Category (1) Independent Contracts

4,890 feet non-core drilling	@ $1.30/ft.	$5,577.00	
80 hours bulldozing	@ $10.00/hr.	800.00	
Categories (2) through (7)	None	-	$6,377.00

Fixed Unit Costs (See Article 13)

Incidental allowance 1/ for each foot of non-core drilling completed, 4,890 feet	@ $0.16/ft.	686.40	
100 Chemical sample analyses	@ $5.00/sample	500.00	1,186.40

Estimated Total Cost of Stage I $7,563.40

Stage II

Actual Costs

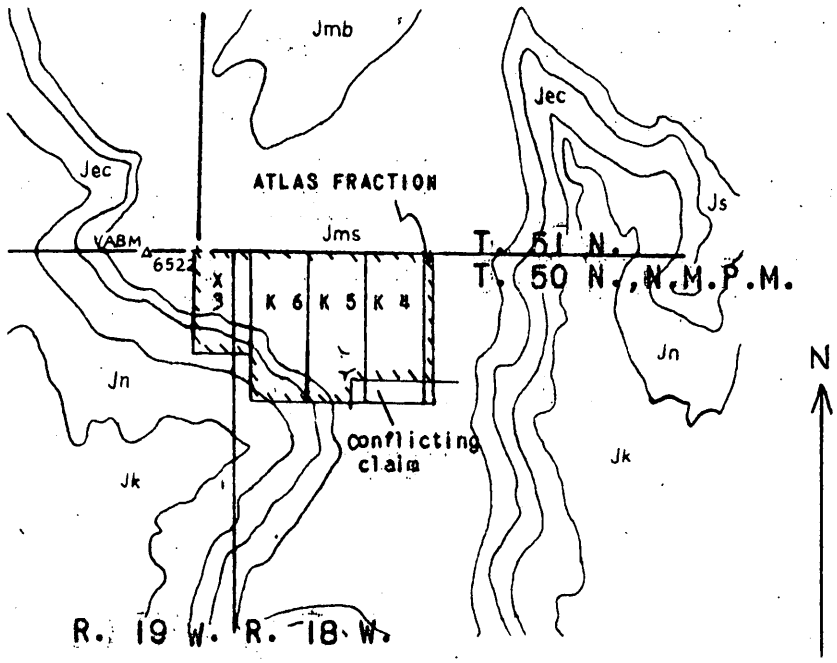
Category (1) Independent Contracts

7,600 feet non-core drilling	@ $1.30/ft.	$ 9,880.00	
80 hours bulldozing	@ $10.00/hr.	800.00	
Categories (2) through (7)	None	-	$10,680.00

Fixed Unit Costs (See Article 13)

Incidental allowance 1/ for each foot of non-core drilling completed, 7,600 feet	@ $0.16/ft.	$ 1,216.00	
100 Chemical sample analyses	@ $5.00/sample	500.00	1,716.00
Estimated Total Cost of Stage II			$12,396.00
Estimated Total Cost of the Project (rounded)			$19,960.00
Government Participation @ 75%			$14,970.00

1/ Includes all costs that otherwise might have been allowable under Categories (2) through (7) of Article 6, except analyses.



EXPLANATION

Jmb	BRUSHY BASIN MEMBER OF JURASSIC MORRISON FORMATION
Jms	SALT WASH SANDSTONE MEMBER OF JURASSIC MORRISON FORMATION
Js	JURASSIC SUMMERVILLE FORMATION
Jec	JURASSIC ENTRADA SANDSTONE AND CARMEL FORMATION UNDIVIDED
Jn	JURASSIC AND JURASSIC(?) NAVAJO SANDSTONE
Jk	JURASSIC(?) KAYENTA FORMATION
	BOUNDARY OF AREA INCLUDED IN APPLICATION

4

2000 0 8000 FEET

Note: BASE MODIFIED FROM U.S.G.S. MAP CQ 55, GEOLOGY OF THE GATEWAY QUADRANGLE. CLAIM BOUNDARIES FROM APPLICANTS MAP.

FIGURE 2. GEOLOGIC MAP SHOWING THE K ET AL. GROUP OF CLAIMS, L.E. COX AND T.R. GILLENWATERS, MESA COUNTY, COLORADO

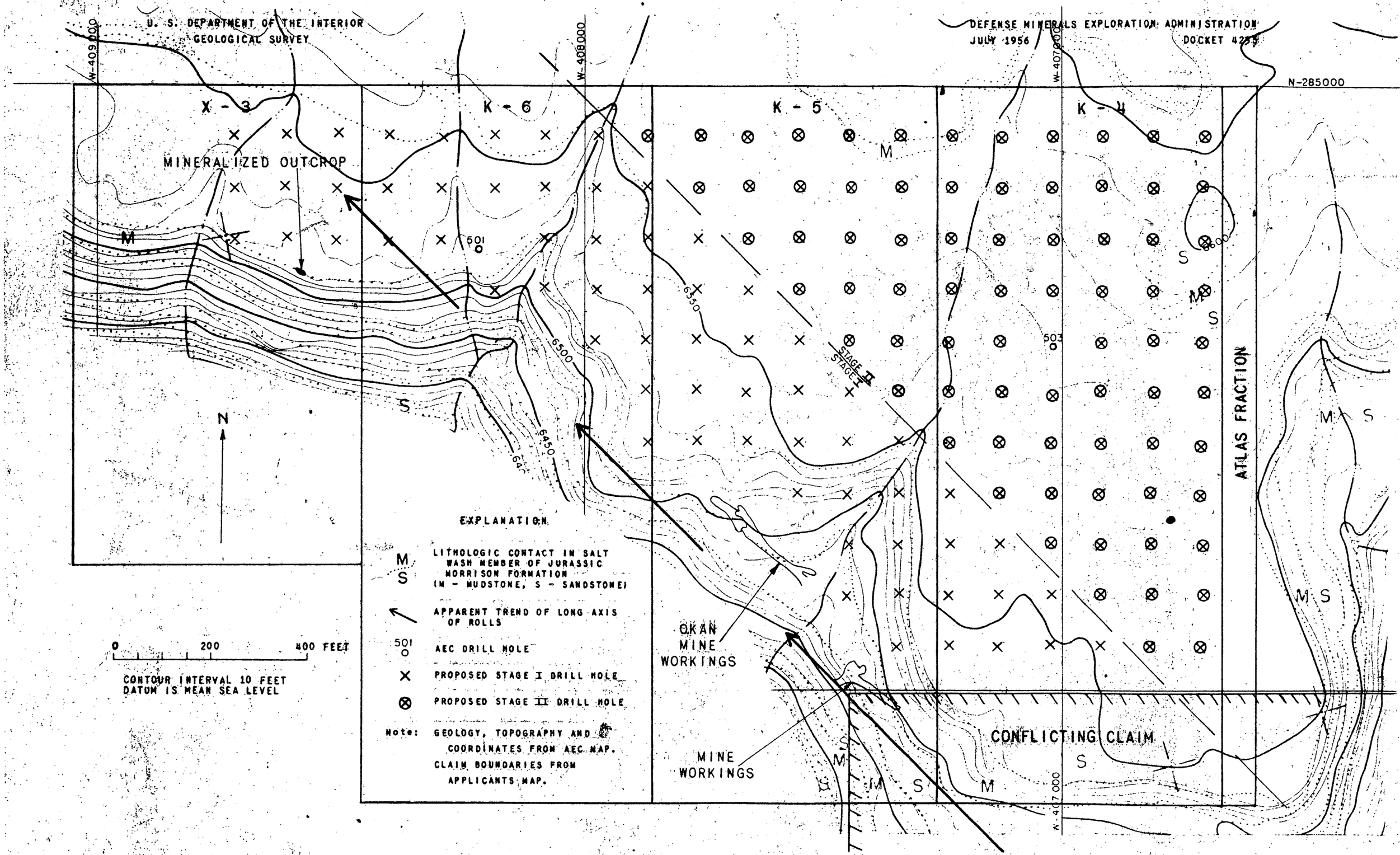


FIGURE 3.--GEOLOGIC AND CLAIM MAP SHOWING LOCATION OF PROPOSED DRILL HOLES, LEE E. COX AND T. R. GILLENWATERS, OKAN PROPERTIES, TENDERFOOT MESA, MESA COUNTY, COLORADO.

10/29/56

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

RECEIVED
OCT 29 1956

224 New Customhouse
Denver 2, Colorado

October 26, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA 4235 (Uranium), Contract No. I4m-2996, Lee E. Cox and T. R. Gillenwaters, Partners, Mesa County, Colorado

Enclosed are the Government's, Division, and Docket copies of the "TERMINATION AGREEMENT" which was forwarded by your letter of October 17, 1956, for signature by the Operator.

Copies of the "TERMINATION AGREEMENT" have been distributed to the Operator, the Finance Office, Region III, and to others concerned.

Original signed by
W. M. TRAVER

W. M. Traver

Enclosures

Mr. Ching

Isn't this the termination agreement that, in effect, is a rescission of the contract? We would never receive final reports on it, would we? Supposedly, there was no work done. Does this now become a closed file?

gla

No work done. This is not a closed file. WEC

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

OCT 17 1956

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
22h New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA-4235 (Uranium)
Contract No. Idm-15996
Lee E. Cox and T. R. Gillespesters
Chan Mine
Mesa County, Colorado

Dear Mr. Traver:

In accordance with the request contained in the Operator's letter of October 1, 1956, we are enclosing the original and five copies of a Termination Agreement between the Government and Lee E. Cox and T. R. Gillespesters, signed by the Administrator.

If you and the Operator find the agreement in order, please have the Operator sign all six copies and make the usual distribution thereafter.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures

APPROVED:

P. F. Yopes
Member, Bureau of Mines

Thor H. Kiilsgaard
Member, Geological Survey

MChing/gla
10-16-56
cc to: Admr.'s Reading File
Operating Committee
Docket
Messrs. JECrawford, 3643
THKiilsgaard, 5224
JCHosted, 3220,GSA
Code 700
Mr. Ching

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

October 8, 1956

Memorandum

To: Associate Solicitor,
Division of Mineral Resources

From: Ernest Wm. Ellis, Chief
Rare and Miscellaneous Metals Division

Subject: Docket No. DMEA-4235 (Uranium)
Contract No. Idm-2996
Ike E. Cox and T. R. Gillenwaters
Okan Mine
Mesa County, Colorado

The Operator has signed all except the Operator's copy of the subject contract. The latter was returned unsigned, together with a letter, dated October 1, 1956, to the Executive Officer of Region III, requesting that the contract be rescinded.

Will you kindly prepare the necessary agreement for the signatures of the Administrator and the Operator.

Ernest Wm. Ellis

Ernest Wm. Ellis

Attachments (3)

MChing/gla
cc to: Docket
Code 700
Mr. Ching

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

RECEIVED
OCT - 1956

224 New Customhouse
Denver 2, Colorado

October 3, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA 4235 (Uranium), Contract No. Idm-E996, Lee E. Cox and T. R. Gillenwaters, Partners, Mesa County, Colorado

Enclosed are the original and one copy of the Operator's letter of October 1, 1956 and the Operator's copy of Contract No. Idm-E996.

For reasons stated, the Operator requests to be relieved of responsibility under Contract No. Idm-E996.

Please advise us of your action in the matter.

W. M. Traver

W. M. Traver

Enclosures

REGISTERED MAIL
RETURN RECEIPT REQUESTED

P. O. Box 1451
Grand Junction, Colorado

1 October 1956

United States Department of the Interior
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

DMEA
DEPARTMENT OF THE INTERIOR
OCT 2 1956
REGION III
DENVER, COLORADO

Attn: W. M. Traver
Executive Officer, DMEA
Field Team, Region 111

Gentlemen:

Because of a disagreement with the Okan Corporation's board of directors in re-negotiating royalty payments under my Okan lease, I regretfully ask that I be relieved of my responsibilities under our contract No. Idm-E996, dated August 22, 1956, before the work is initiated.

As you know, my loan application was submitted to you in March of 1956. This was prior to my awareness of the difficulty in operating the Okan mine at a profit under the extremely high royalty payments demanded in the Okan lease dated January 17, 1956. In April the true situation became apparent. I then realized that we could not mine the ore at a profit even though we had approximately 300 tons of good ore drilled out in the immediate vicinity of our mine workings. At that time, I tried to re- negotiate the lease to a lower royalty payment, which would permit me to continue operations, but I was met with a non-compromising attitude by the Okan Corporation's directors. Therefore, on Aptil 21, 1956, L. E. Cox and I rendered a lease termination statement to Keith Hensel, Vice President of the Okan Uranium Corporation.

The Okan Corporation took the attitude of not accepting the termination, but indicated that it was willing to negotiate on more equitable terms and it was on this basis that I allowed my DMEA application to be processed. I still thought the property had merit and wished to see it explored.

Yesterday, I was notified by the Okan Corporation that no alterations would be made in the original lease, and for this reason I now have no alternative but to enforce my original termination statement. This, of course, puts me in a position of being ineligible for the DMEA contract, which I am herein returning to you people.

I wish to apologize for necessitating the time your people have spent in processing this application and hope you recognize that my own time and money spent in preparing the application are evidence of my good intentions.

Very truly yours,

T. R. Gillenwaters

T. R. Gillenwaters

RLR/G/dj

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

224 New Customhouse
Denver 2, Colorado

September 19, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 4235 (Uranium), Contract Idm-K996, Lee E. Cox and T. R. Gillenwaters, Partners (Okan mine), Mesa County, Colorado

Enclosed are executed Government's, Division, and Docket copies of the subject Exploration Project Contract, which was forwarded by your letter of September 7, 1956, for the Applicant's signature. October 1, 1956, has been inserted under Article 3 as the date on or before which operations are to start.

Also enclosed are two copies of our letter of today, forwarding the "Operator's Copy" of the Contract and the first month's supply of forms MF-104 and MF-104A, with instructions regarding reporting procedures on work performed.

Copies of the Contract have been distributed to the Region III Finance Office and Field Team, and to other Regional offices concerned.

W. M. Traver

W. M. Traver

Enclosures

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

[redacted] New Customhouse
Denver 2, Colorado

CERTIFIED MAIL

September 19, 1956

Cox & Gillespmters, Partners
P. O. Box 1451
Grand Junction, Colorado

Re: Docket No. DMEA 4835 (Uranium)
Contract No. Idm-2996

Gentlemen:

Enclosed herewith is the "Operator's Copy" of Exploration Project Contract No. Idm-2996, Docket No. DMEA 4835.

Also enclosed are six copies of form MP-104, "Operator's Monthly Report and Voucher," and six copies of form MP-104A, "Operator's Unit Cost and Progress Report." At the end of the first calendar month after work is commenced, and monthly thereafter, you are required to submit the original and four copies of each form to Mr. John F. Shaw, U. S. Bureau of Mines, Room 137, Building 20, Denver Federal Center, Denver 2, Colorado. The extra copy is for your records.

Forms MP-104 and MP-104A are to be combined into five sets of one of each form, each set of the combined forms is to be accompanied by a map or sketch showing the location and extent of work performed, and a signed narrative report which describes the work performed, conditions encountered, and results of the work. The monthly accounting report will not be processed for reimbursement to you unless it is accompanied by a signed narrative report and other required or pertinent data. Additional copies of forms MP-104 and MP-104A will be forwarded to you each month on receipt of your report for the prior month.

The U. S. Geological Survey and the U. S. Bureau of Mines maintain a field office in the A.E.C. Compound at Grand Junction, Colorado. DMEA representatives of the two Services can be contacted as follows:

J. W. Hasler, U. S. Geological Survey
Telephone, Grand Junction, Chapel 3-2110, Ext. 282;

M. E. Salsbury, U. S. Bureau of Mines
Telephone, Grand Junction, Chapel 3-2110, Ext. 274.

Both men can be reached by mail at

Post Office Box 360
Grand Junction, Colorado.

For your information and in reply to many questions that have been asked, after forms MF-104 and MF-104A are received, an engineer will check progress and approve your accounts, after which they will be sent to the Regional Office, Region III, U. S. Bureau of Mines, 224 New Customhouse, Denver 2, Colorado, for administrative examination and vouchering. If the report is in order, a check will be issued by the Treasury Department for the Government's portion of the approved costs. If you have any difficulty in completing these forms and the reports, please call on either the field representatives, Mr. Shaw, or this office for assistance.

In the matter of your claim for reimbursement of drilling costs under the terms of the contract, reimbursement to you will be on the basis of a hole or holes completed to the objective, which has, or have been drilled in compliance with the conditions under "General Provisions" section of Exhibit "A" of the contract and the special conditions pertaining to the drilling under each stage. Therefore, your monthly report should include only such holes which are completed to that extent, and the required records made a part of your claim for reimbursement.

The contract is prepared on form MF-200, and under its provisions and as outlined in Exhibit "A" of the contract, the allowable costs are a combination of actual costs with a maximum average unit cost established for work under "Category (1)" and fixed unit costs for performing the remaining items of work or services. Under the provisions of Exhibit "A", the work under "Category (1)" is to be performed by subcontract. The costs recorded under item "(1)" on form MF-104 for such work must be supported each month by a signed copy of the billing from the subcontractor; or, submit for our records a certified copy of the subcontract agreement. Amounts reported on the basis of the "Fixed Unit Costs" require no documentation, as they are otherwise verified.

In the event you desire to perform the work under "Category (1)" on company account instead of subcontracting it, as provided in the contract, it will be necessary that you request and obtain an appropriate amendment to the contract before reimbursement can be made to you for the Government's portion of the allowable incurred costs.

Your requests to this office for work approval, changes in the contract, or any other communication pertaining to operations under the contract, must be in writing, of which please supply the original and five copies, each copy complete with maps or other pertinent data.

The locations of holes to be drilled under Stage I are indicated on the map, "Figure 3," attached to the contract. Should conditions encountered necessitate or make desirable a change in the location of any of the holes, approval of this office for the change must be obtained prior to performance of the drilling. Otherwise, the drilling may not be acceptable for reimbursement to you under the terms of the contract.

Your attention is directed to the provision that Stage II work is contingent on the results obtained from Stage I, and performance of the work under Stage II is subject to the prior written approval of the Government.

When work under Stage I has been completed, you must request approval from this office for the work you propose to perform under the next stage. Your request for the work approval must be in sextuplicate, each copy complete with a map showing the location and extent of the work completed and the location of the additional work proposed. Also, your request must include an evaluation of the work completed and include assay returns and any other pertinent data which will be of value to the Government in appraising the results of the work.

You should anticipate a suspension of operation between stages of work, to enable the Government geologist and engineer to evaluate the results of the work performed and make recommendations to this office relative to the additional work you propose.

To eliminate as much delay as possible to operations, if that is of serious consideration, you should expedite forwarding of the results of the work completed and your request for the Government's approval of the additional work you propose.

No oral statement of any person shall be construed to modify or change the terms of the contract. Field representatives of the Government are not authorized to approve any changes in the work program or contract provisions. Such approval can only be given by the Washington Office, DMEA, or by the DMEA Field Team, Region III.

It is a regulation that reimbursement for the cost of work accomplished prior to the date of the contract will not be allowed. It is a requirement and imperative that you notify this office in writing the date work actually commences under the contract, with a copy of your letter to Mr. Shaw.

Very truly yours,

W. M. Traver

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

WMT:prl
cc: Chairman, Op. Comm. (2)
Finance Office, Reg. III
Amendment file, Reg. III
Barshman
Shaw (2) Corres. Chron.

Shaler
Townsend

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

RECEIVED
SEP 12 1956

224 New Customhouse
Denver 2, Colorado

CERTIFIED MAIL

September 10, 1956

Mr. Lee E. Cox
Cox and Gillenwaters, Partners
P. O. Box 1451
Grand Junction, Colorado

Re: Docket DMEA 4235 (Uranium)
Lee E. Cox and T. R. Gillenwaters,
Partners, Mesa County, Colorado -
Proposed Exploration Project
Contract Idm-E996

Dear Mr. Cox:

Enclosed are the Government's, Division, Docket, Finance Office, and Field Team copies of proposed Exploration Project Contract No. Idm-E996, which has been prepared pursuant to your application for Government assistance in exploration work under the Defense Minerals Exploration Administration program.

If the contract is satisfactory to you, all copies are to be signed by both partners as indicated, and all copies promptly returned to this office.

Upon return of the properly executed copies of the contract, the "Operator's Copy" will be forwarded to you, together with forms and instructions relative to reporting on the work performed under the contract.

When the executed copies of the contract are returned, please advise the date on or before which work will be commenced, for our insertion under "Article 3" of the contract form.

Your attention is especially directed to two provisions in the contract:

1. The contract requires completion of the exploration work by the date or within the period fixed therefor. Approval must be obtained for any appreciable work stoppage which may result in failure to complete the work by the date or within the time fixed.

2. Royalty is due the Government on all production from the land described in the contract, beginning on the date of the contract.

In the event the contract is not satisfactory to you, all copies are to be returned promptly to this office, together with your comments on or objections to the contract.

Very truly yours,

W. M. TRAVER

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

Enclosures

WMT:prl

cc: Chairman, Oper. Comm. (2)
Harshman
Shaw (2)
Hasler
Townsend
Docket file 4235
Chron.

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

700

Mr. W. N. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA-4235 (Uranium)
Lee E. Cox and T. R. Gillenwaters
Okan Mine
Mesa County, Colorado

Dear Mr. Traver:

Enclosed are the original and five copies of a proposed long-form contract between the Government and Lee E. Cox and T. R. Gillenwaters, signed by the Administrator. The contract consists of Form MR-200, Annex I, Exhibit "A," and two maps (Figure 2 and Figure 3). Also enclosed are two extra copies each of Annex I, Exhibit "A" and maps (Figure 2 and Figure 3) for the use of the Field Team.

If you and the Operator find the contract satisfactory, it is ready for the signature of the Operator, provided that the following requirements are met:

1. The insertion of a suitable final starting date under Article 3.

2. Receipt by you of the Consent to Lien and Subordination Agreement referred to in Article 2(e) of the contract.

The program and costs recommended by the examiners are satisfactory and have been incorporated into the contract without change.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee

Enclosures:
As stated

FRANK D. LAMB
Member, Bureau of Mines

N. E. Nelson
Member, Geological Survey

MChing/ai 8-16-56
cc to: Docket
Admr. Reading File
Operating Committee
Code 700
Mr. Ching
Messrs. JECrawford, Rm. 3643
THKillsgaard, Rm. 5224
JOHosted, Rm. 3210, GSA

DRAFT - FEJohnson/bih 8-21-56

Proposed Contract -

Cox and Gilliwater
DMEA-4235

Although Legal advises that it is not necessary to cross out the deleted portions of Articles 3 and 6(a) of the contract, this practice was agreed upon, so for the sake of uniformity and to avoid confusing the Field Teams, these deleted items should be crossed out.

Annex I
Excepted Area

The description of the "Excepted Area" does not fit the case. If this area is that part on the map designated "Figure 3", which lies East and South of the hash line boundary and designated as "Conflicting Claim", it would be clearer if the description, starting after the word "Contract" in the third line of the first paragraph under "Excepted Area" read as follows:

This area is described as follows:

l.c.

Any of said claims or any parts of them lying South and East of lines respectively described as follows:

l.c.

Beginning at a point which bears South 50° 40.5', East 2004 feet from the Southwest corner of Section 31, Township 51 North, Range 18 West of the New Mexico Principal Meridian, thence East 842.5 feet, and beginning at the same point, thence South approximately 225 feet.

Docket No. _____

Commodity _____

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 ____

Date of Contract or Amendment:

Name and Address of Operator:

Amount of Government participation _____ $

Percent of Government participation _____ %

Region: State:

_____
(Name)

_____
(Title)

Date Delivered to Bureau of Mines, Washington.

54458

EXPLORATION PROJECT CONTRACT
LEE E. COX AND T. R. GILLENWATERS
DOCKET NO. DMEA-4235

ANNEX I

The land referred to in Article 2 of the Contract consists of three standard size lode mining claims and two fractional lode mining claims situated in sec. 6, T. 50 N., R. 18 W. and sec. 1, T. 50 N., R. 19 W., N.M.P.M.&B., Mesa County, Colorado. The land is shown on the maps entitled "Figure 2. Geologic Map Showing the K Et Al. Group of Claims..." and "Figure 3 -- Geologic and Claim Map Showing Location of Proposed Drill Holes...," attached hereto and made a part hereof.

The notices of location of the claims are recorded in the office of the County Recorder of Mesa County, Colorado, as follows:

	Original Location		Amended Location	
Name of Claim	Book	Page	Book	Page
X No. 3	642	233	648	125
K No. 6	642	229	648	129
K No. 5	642	228	648	128
K No. 4	642	227	648	127
Atlas Fraction	658	459	-	-

Excepted Area

The area of the claims designated "Conflicting Claim" on both attached maps is excluded from the land referred to in Article 2 of the Contract. ~~This area is described by metes and bounds as follows:~~ This area is clos—

> "that part of said claims, or any of them, lying South and East of the line described as follows, to wit:
>
> "Beginning at a point which bears South 50° 40.5' East 2004 feet from the Southwest Corner of Section 31, Township 51 North, Range 18 West of the New Mexico Principal Meridian, thence East 842.5 feet, thence North to the South line of said Section 31."

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

RECEIVED
AUG 15 1956

August 15, 1956

Memorandum

To: Ernest William Ellis, DMEA Member
Uranium Commodity Committee

From: James Paone, Bureau of Mines Alternate Member
Uranium Commodity Committee

Subject: Report of Examination, DMEA Docket 4235, Lee Cox and T. R. Gillenwaters, Okan Mine, Gateway mining district, Mesa County, Colorado

I have reviewed the report of examination, DMEA Docket 4235, Lee Cox and T. R. Gillenwaters, Okan Mine, Gateway mining district, Mesa County, Colorado, dated July 20 and received in this office August 3, 1956. I have also discussed it with Joseph O. Hosted, Washington representative of the Atomic Energy Commission.

The field examiners recommend a two-stage exploration program consisting of 142 rotary drilled non-core holes totaling 11,890 feet at an overall cost of $20,024. Government participation at 75 percent would be $15,018.

We concur in the recommendations of the field examiners.

The report is being forwarded to the Chief, Division of Minerals, in accordance with the routing slip attached thereto.

James Paone

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

AUG 15 1956

Memorandum

To: The Administrator, DMEA
Attention: Chief, Rare and Miscellaneous Metals Division

From: Associate Solicitor, Division of Mineral Resources

Subject: Docket No. DMEA-4235 (Uranium)
Lee E. Cox and T. R. Gillesmeters
Chem Mine
Mesa County, Colorado

Pursuant to your memorandum dated August 6, 1956, we have prepared the attached Contract in satisfactory legal form for execution, subject to the attachment of the Consents to Lien and Subordination Agreement referred to therein.

Robert P. Dwyer

Robert P. Dwyer

HCRubin/wog
August 13, 1956
Copy to: Solicitor's Docket (2)
DMEA Docket
G.C.Selfridge
R.W.Ellis (2)
R.P.Dwyer
H.C.Rubin
Chron.

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

RECEIVED
AUG - 7 1956

August 6, 1956

Memorandum

To: E. W. Ellis, Defense Minerals Exploration Administration

From: W. P. Williams, U. S. Geological Survey

Subject: Review of field examination report, DMEA 4235 (uranium), Lee Cox and Z. R. Gillespeters, Glen Mine, Tenderfoot Mesa, Mesa County, Colorado.

The examining team reports that the subject property has produced over 1100 tons of ore of relatively high grade. The ore was mined from relatively shallow depths. The possibility that other vein-type ore bodies are present on the property is considered by the examiners as good.

As a result the examiners recommend approval of a two stage drilling project consisting of a total of 11,890 feet of rotary, non-core drilling. Total estimated cost of the project is $20,004.00.

I agree with the examiners' and Field Team's recommendations.

W. P. Williams

WPWilliams:iml
G-8/6/56

cc: Director's reading, 4212
Branch reading, 4212
DMEA (3) ✓
Docket file
J. E. Crawford, 3641
J. O. Hosted, 3210

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

RECEIVED
AUG - 6 1956

224 New Customhouse
Denver 2, Colorado

August 2, 1956

Memorandum

To: Secretary to the Operating Committee, DMEA

From: Field Team, Region III

Subject: Joint Report of Examination, Docket DMEA 4235 (Uranium) Lee Cox and T. R. Gillenwaters (Okan mine) Mesa County, Colorado

Enclosed are nine extra copies of Figure 2 which accompanied the Report of Examination on the subject property. These are for possible use in the contract and were mentioned in our memorandum, dated July 25, 1956 on the subject docket.

DMEA Field Team, Region III

W. M. Traver

By W. M. Traver
Executive Officer

Enclosures

700

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

August 6, 1956

Memorandum

To: Associate Solicitor, Division of Mineral Resources

From: Ernest Wm. Ellis, Chief
Rare and Miscellaneous Metals Division

Subject: Docket No. DMEA-4235 (Uranium)
Lee Z. Cox and T. R. Gillenwaters
Okan Mine
Mesa County, Colorado

Will you kindly prepare a long-form contract between the Government and the subject applicant in accordance with the attached draft.

The Consent to Lien and Subordination Agreement referred to in Article 2 is being secured by the Field Team and will be attached to the contract when made available.

Nine copies of the map (Figure 3) are attached. Copies of the map (Figure 2) are not yet available, but they will be sent you when received from the Field Team.

Ernest Wm. Ellis

MChing/ai
8-6-56
cc to: Docket
Code 700
Mr. Ching

Code 700

DRAFT
MChing/ai
8-6-56

MF-200
(Revised June 1954)

Docket No. DMEA 4235

Commodity Uranium

Contract No. Idm-E

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

EXPLORATION PROJECT CONTRACT[1]

It is agreed this ..... 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] Lee E. Cox and T. R. Gillenwaters, whose mailing address is P. O. Box 1451 Grand Junction, Colorado, 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-200), the attached Exhibit "A," Annex I, and 2 maps (Figure 2 and Figure 3).

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 Mesa, and is described in Annex I.[3]

(b) The Operator represents and undertakes that:

(1) The Operator is the [4] Lessee of [5] the mineral rights in the land, in possession and entitled to possession for all of the purposes of this contract, under and by virtue of a [6] Mining Lease & Amendments 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

[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."

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Lien and Subordination Agreement of Okan Uranium Corporation.

(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 8, it shall thereafter have no claim against the land or any production therefrom except for any production referred to in Article 8(b)(1).

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of Uranium The work to be performed is described in Exhibit "A." The Operator on or before shall commence the work, and on or before November 30, 1956 (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall either have completed the work or shall have incurred allowable costs (see Article 6) in a sum not less than the estimated total allowable cost set forth in Exhibit "A." See Article 13.

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) *Independent contracts.*—To the extent that the allowable costs are estimated in Exhibit "A" with express reference to performance by independent contractors on a unit-price basis (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations), the work may be so performed; but if the reference in Exhibit "A" to any such independent contract requires the Government's approval thereof, payments under such contract will not be allowable costs unless the Government gives its written approval of the contract. Any such independent contract shall refer to some specific and identifiable part of the work, and shall be subject to all of the pertinent terms and conditions of this exploration contract; but the Government shall not be considered a party thereto, and its rights under this contract, including the right to terminate its contributions, shall not be affected thereby. Regardless of the provisions of any such independent contract and regardless of the Government's approval thereof, the Government will participate in payments to the independent contractor only on account of work performed in accordance with the provisions of this exploration project contract, and only to the extent that the Government deems the unit prices for the work under the independent contract to be reasonable.

(c) *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.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $19,960.00 The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $14,970.00: *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 or not in excess of the amount of the Government's contribution to the cost of property which is or may become subject to disposal as provided in Article 9(c), whichever is greater. The Government will make its contribution on the basis of the monthly vouchers referred to in Article 7(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. "Costs incurred" mean costs that have been paid or have become due and payable, or that in the opinion of the Government have become an obligation. The Government may make payments directly to independent contractors and suppliers for the account of the Operator rather than to the Operator.

ARTICLE 6. *Estimated costs.*—(a) *Categories of costs.*—The allowable costs of the work to which the Government shall contribute are limited to those that are direct, reasonable, necessary, and that are estimated in Exhibit "A" by categories as specified in this article. If any category or subcategory is omitted from the estimate of costs, or if the word "none" is annexed to the listing thereof, costs under such category or subcategory are not allowable. Any excess over any estimate which is indicated as the maximum of any category, subcategory, or item, either as to requirement or related cost, and any excess over the estimated total allowable cost of the work, shall not be allowable. Any excess over the estimate of any category, subcategory, or item, either as to requirement or related cost, not indicated as a maximum shall be allowable within the limit of the estimated total allowable cost of the work. To the extent that excesses over maximums other than the estimated total allowable cost of the work may be necessary for the performance of the work, the Operator shall incur such excesses for his own account without contribution by the Government; but except for any such necessary excesses in categories, subcategories, or items thereunder the Operator is not obligated to incur more than his agreed percentage of the estimated, total allowable cost of the work. **See Article 13.**

To the extent specified in this article or in Exhibit "A" the following categories, subcategories, and elements thereof are maximums; but if not so specified either here or in Exhibit "A" they are not maximums, and may be exceeded within the limit of the estimated total allowable cost of the work:

CATEGORY (1)—INDEPENDENT CONTRACTS.—Work to be performed under independent contracts (see Article 4(b)). The estimated total amount of this category and the estimated cost of each unit of work for performance under an independent contract are maximums.

CATEGORY (2)—PERSONAL SERVICES.

Subcategory (a)—Supervision.—All elements of this subcategory (number of supervisors, periods of employment, rates of pay, and total) are maximums.

Subcategory (b)—Technical services.—All elements of this subcategory (number of technicians, periods of employment, rates of pay, and total) are maximums.

Subcategory (c)—Labor.

CATEGORY (3)—OPERATING MATERIALS AND SUPPLIES.—Includes such items as drill bits and steel, explosives, fuel, pipe, power, small tools costing less than $50 each, timber, track.

CATEGORY (4)—OPERATING EQUIPMENT.

Subcategory (a)—Rental.—The number of each object to be rented [6 mine cars, 1 truck], the rate of rental [$100 per month, $5 per hour], and the total of this subcategory are maximums.

Subcategory (b)—Purchases.—The estimated total of this subcategory is a maximum.

Subcategory (c)—Depreciation.—All elements of this subcategory (time periods, rate of depreciation, and subcategory total) are maximums.

CATEGORY (5)—INITIAL REHABILITATION AND REPAIRS.—Estimates under this category include all requirements and related costs, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The estimated total of this category is a maximum.

Subcategory (a)—Initial rehabilitation and repairs of existing buildings, fixtures, and installations (exclusive of mine workings).—The estimated total of this subcategory is a maximum.

Subcategory (b)—Initial rehabilitation and repairs of operating equipment.—The estimated total of this subcategory is a maximum.

CATEGORY (6)—NEW BUILDINGS, FIXTURES, AND INSTALLATIONS (EXCLUSIVE OF MINE WORKINGS).—Estimates under this category include all requirements and related costs, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The estimated total of this category is a maximum.

CATEGORY (7)—MISCELLANEOUS.—Repairs and maintenance (other than initial) of operating equipment, analytical work, prints and other reproductions, accounting, Operator's share of payroll taxes, liability insurance covering employment, travel, communications, and any other items of requirement or cost that do not fall within any of the first 6 categories.

THE ESTIMATED TOTAL ALLOWABLE COST of the work is a maximum.

(b) *Nonallowable costs.*—The following costs are not allowable for contribution by the Government:

(1) *Costs of the land,* such as rental, depreciation, depletion, or other cost of acquiring, owning, or holding possession;

(2) *Indirect costs,* such as general overhead, corporate management, interest, taxes (other than payroll and sales taxes), insurance (other than liability insurance covering employment), damages to persons, damages to property (other than necessary repairs or replacements of equipment or other property used in the work);

(3) *Previous work* performed or costs incurred before the date of this contract; and

(4) *Deferred payments.*—Any costs incurred by the Operator under any rental-purchase agreement, installment-purchase agreement, or any agreement for the purchase of goods under the provisions of which payment of the full purchase price is deferred more than 90 days from the delivery of the goods; unless the purchase agreement is approved by the Government in writing.

(c) *Reductions in costs.*—The Operator shall account for and give the Government credit for any incidental benefits, credits, or money received in the ordinary course of business in prosecuting the work (as by salvage or sale of materials or equipment, furnishing of room or board, furnishing of power or services to third persons, rebates or discounts on purchases, etc.), in the same ratio in which the Government contributes to costs; and such amounts shall be treated as a reduction in costs incurred so that they are available for use within the limit of the original estimated total cost. This provision does not apply to receipts from production which are subject to the Government's percentage royalty under the provisions of Article 9. **See Article 13.**

ARTICLE 7. *Reports, accounts, audits.*—(a) *Operator's records.*—The Operator shall keep suitable records and accounts of the 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. If the Government elects to audit said records and accounts relating to the exploration work by certified public accountant, it may do so as a cost of the work to which the Operator shall contribute. 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. If work under this contract is carried on in conjunction with any other operations, or if labor, supervision, services, materials, supplies, equipment, facilities, or other requirements for carrying on the work are also used in connection with other operations, the costs shall be segregated and accounted for on a basis and by methods and accounts that are satisfactory to and approved 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 detailed costs incurred during the reporting period; (2) Operator's Unit Cost and Progress Report showing the various types of work performed during the reporting period and 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 related costs incurred.

(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 8. *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 7) 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 therof 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 9. *Interests in purchased property.*—(a) *Title and ownership.*—All costs under this contract shall be incurred by the Operator in the Operator's own name and for the Operator's own account; but any property acquired to the cost of which the Government contributes shall belong to the Operator and the Government jointly in proportion to their respective contributions, although title thereto shall be taken in the name of the Operator.

(b) *Preservation of property.*—Until the final disposal of any property in which the Government has an interest the Operator shall preserve and protect same for the best interest of the Government, any reasonable and necessary costs thereof to be treated as an allowable cost of the project. After the completion of the work or termination of the Government's obligation to contribute, or when such property is not in use for or needed for the work, the Operator shall neither use it without the written consent of the Government nor without paying a reasonable rental to be fixed by the Government for its interest.

(c) *Disposal of property.*—Upon the completion of the work or termination of the Government's obligation to contribute to costs, or when the property is no longer needed for the work, the Operator shall promptly dispose of salable or salvageable property in which the Government has an interest for the joint account of the Government and the Operator, either by return to the vendor, by sale to others, or purchase by the Operator or the Government at a price at least as high as could be obtained from others, unless the Government in writing waives its interest in any such property. Without advance approval of the sales price by the Government the Operator shall not sell at any price any item of property the cost of which was more than $500, and shall not sell at less than 25 percent of the purchase price any item of property which cost $500 or less. The Government, in lieu of approving the sales price for any such item, may itself purchase the item at the best price which the Operator is able to obtain or himself cares to give. Property remaining upon any termination of the work shall be considered in groups or categories (such as drill steel, or explosives, or pipe, or rails), and if the original cost of the remaining unexpended portion of any such group or category is less than $50, the Government waives its interest therein. If necessary to accomplish the disposal of any item the Operator shall dismantle and sever it from the land, the cost thereof to be treated as a cost of the project.

(d) *Default of the Operator re disposal.*—If within 90 days after the completion of the work or termination of the Government's obligation to contribute to costs, or after the property is no longer needed for the work, or after such further time as the Government may in writing allow, the Operator has failed to sell or otherwise liquidate or dispose of any property in which the Government has an interest, the Government, at any time prior to final settlement under the contract, may pursue one of the following two courses: (1) the Government, by written notice to the Operator, may place upon such property what in its opinion is a fair valuation thereof, not in excess of the cost less 1.66 percent per month from the

date such property was purchased under this contract to the termination of said 90-day period; and such property shall thereupon be considered and accounted for as having been purchased by the Operator at the valuation so fixed by the Government; or (2) the Government may enter and take possession of such property wherever it may be found, and remove and dispose of it for the joint account of the parties.

ARTICLE 10. *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: (1) the Government shall be free of all obligation to contribute to costs not then incurred other than such as may be allowable under the provisions of the contract as necessary and incidental to winding up, reporting, and accounting; and (2) 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.

(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: (1) the Government shall be relieved of all obligation to contribute to costs not incurred when the notice was given, other than such as may be allowable by the provisions of the contract as necessary and incidental to winding up, reporting, and accounting; and (2) 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 10 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 11. *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 12. *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 13. *Changes and added provisions.*—

(a)
(b) As in recent contracts of a combined actual costs - fixed
(c) unit costs type.
(d)
(e)
(f)

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By .....

.....
(Operator)

By .....

.....

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—70617-1

DRAFT
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8-6-56

EXPLORATION PROJECT CONTRACT
LEE E. COX AND T. R. GILLENWATERS
DOCKET NO. DMEA-4235

ANNEX I

The land referred to in Article 2 of the contract consists of three standard size lode mining claims and two fractional claims situated in sec. 6, T. 50 N., R. 18 W. and Sec. 1, T. 50 N., R. 19 W., N.M.P.M.&B., Mesa County, Colorado. The land is shown on the maps entitled "Figure 2. Geologic Map Showing the K et al. Group of Claims..." and "Figure 3 - Geologic and Claim Map Showing Location of Proposed Drill Holes...," attached hereto and made a part hereof.

The area labeled "Conflicting Claim" on both maps is excluded from the land covered by Article 2 of the contract.

The notices of location of the claims are files for record in the office of the County Recorder of Mesa County, Colorado, as follows:

	Original Location		Amended Location	
Name of Claim	Book	Page	Book	Page
X No. 3	642	233	648	125
K No. 6	642	229	648	129
K No. 5	642	228	648	128
K No. 4	642	227	648	127
Atlas Fraction	658	459	--	--

DRAFT
MChing/ai
8-6-56

EXPLORATION PROJECT CONTRACT
LEE E. COX AND T. R. GILLENWATERS
DOCKET NO. DMEA-4235

EXHIBIT "A"

Description of the Work

General Provisions

The work consists of exploration by rotary, non-core drilling to test the known ore-bearing sandstone in the upper portion of the Salt Wash member of the Morrison formation. The location of the work is indicated on the map (Figure 3) referred to in Annex I.

The holes are expected to average approximately 65 feet in depth in areas adjacent to the rim and to average approximately 100 feet in depth in the northeastern portion of the property, away from the rim. All holes shall bottom in the mudstone directly underlying the known ore-bearing sandstone indicated by previous exploration and development. The holes shall have a minimum diameter of 2½ inches.

Drilling is expected to be by both dry and wet methods. In dry drilling cuttings shall be collected with a Duclone sample collector or equivalent unit. In wet drilling adequate facilities shall be provided for collecting all the cuttings. In either case samples shall be taken at 2-foot intervals and checked for radioactivity. All samples indicating significant mineralization shall be analyzed chemically for uranium and vanadium. A portion of all samples taken shall be properly labeled and stored for inspection and disposition by the Government.

All drill holes shall be logged geologically and probed radiometrically and the record of such logging and probing, together with certified copies of all assay certificates, shall be submitted with the Operator's monthly progress reports.

Access roads and drill sites shall be prepared with a D-7 bulldozer or equivalent unit.

The project work shall be supervised at all times by a competent geologist or mining engineer, who shall devote full time to the project.

The location, direction, inclination, and extent of all project work are subject to the approval of the Government.

The work is divisded into two stages as hereinafter described. The Operator shall complete Stage I and shall perform as much of the work under Stage II as the Government approves in writing in advance.

The drilling pattern in both stages is the same, and consists of a series of northeast-southwest fences perpendicular to the apparent trend of known ore exposures. The fences are spaced at 75-foot intervals and the holes in each fence are spaced at 150-foot intervals. The holes shall be staggered in alternate fences.

Stage I

Prepare access roads and drill sites and drill not more than 66 holes aggregating approximately 4,290 feet as indicated on the map (Figure 3). If the 66 holes require more than 4,290 feet to reach the desired horizon, the additional footage and funds required may be transferred and deducted from Stage II footage and funds upon the written approval of the Government.

Stage II

Prepare access roads and drill sites and drill not more than 76 holes aggregating not more than 7,600 feet as indicated on the map (Figure 3).

Estimated Cost of the Project

Stage I

Actual Costs

Category (1) Independent Contracts		
4,290 ft. non-core drilling @ $1.30/ft.	$5,577.00	
80 hrs. bulldozing @ $10/hr.	800.00	
Categories (2) through (7) None	-- --	
		$6,377.00

Fixed Unit Costs (See Article 13)

Incidental allowance for each foot of non-core drilling completed - 4,290 ft. @ $0.16/ft.	$686.40	
100 chemical sample analyses @ $5.00/sample	500.00	
		$1,186.40
Estimated total cost of Stage I		$7,563.40

Stage II

Actual Costs

Category (1) Independent Contracts		
7,600 ft. non-core drilling @ $1.30/ft.	$9,880.00	
80 hrs. bulldozing @ $10.00/hr.	800.00	
Categories (2) through (7) None	-- --	
		$10,680.00

Fixed Unit Costs (See Article 13)

Incidental allowance for each foot of non-core drilling completed - 7,600 ft. @ $0.16/ft.	$1,216.00	
100 chemical sample analyses @ $5.00/sample	500.00	
		1,716.00
Estimated total cost of Stage II		$12,396.00

Summary of Costs

Estimated total cost of Stage I	$ 7,563.40
Estimated total cost of Stage II	12,396.00
Estimated total cost of the project (rounded)	$19,960.00
Government participation @ 75%	$14,970.00

7/31/56

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

July 25, 1956

224 New Customhouse
Denver 2, Colorado

RECEIVED
JUL 30 1956

Memorandum

To: Secretary to the Operating Committee, DMEA

From: Field Team, Region III

Subject: Joint Report of Examination, Docket DMEA 4235 (Uranium) Lee Cox and T. R. Gillenwaters, (Okan Mine) Mesa County, Colorado

Enclosed are the original and three copies of a joint engineering and geologic Report of Examination on the subject property.

The field examiners recommend a two-stage exploration program consisting of 142 rotary drilled non-core holes totaling 11,890 feet at a total estimated cost of $20,024.00, Government participation $15,018.00. We concur in this recommendation.

Enclosed are nine extra copies of Figure 3 for possible use in the contract. We believe that Figure 2 might also be of value in a contract and have ordered nine extra copies which we will forward you when received by this office.

Owner's Consent to Lien have been forwarded the Applicant to be signed by the authorized officials of the Okan Uranium Corporation.

DMEA Field Team, Region III

Enclosures

W. M. Traver

By W. M. Traver
Executive Officer

Reviewed by
DMEA OPERATING COMMITTEE
8-3-56
(date)

TRANSMITTED

JUL 25 1956

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

MINERAL DEPOSITS
DMEA
RECEIVED
JUL 12 1956

U. S.
GEOLOGICAL SURVEY
DENVER, COLORADO

P. O. Box 1009
Grand Junction, Colorado

RECEIVED
JUL 30 1956

JUL 23 1956

July 10, 1956

BUREAU OF MINES
Denver, Colorado

Memorandum

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

From: J. William Hasler

Through: S. H. Marshall
John Shaw

Subject: Letter of transmittal of report of examination on DMEA docket 4235, Lee Cox and T. R. Gillenwaters, Okan Mine (Uranium), Gateway mining district, Mesa County, Colorado.

Transmitted herewith is a joint engineering and geologic report of examination on DMEA docket 4235, Lee Cox and T. R. Gillenwaters, Okan mine property on Tenderfoot Mesa, Mesa County, Colorado.

The applicant made application for assistance to explore for uranium on the K-3, K-4, K-5, and K-6 claims in the Okan mine area. The application was referred to the field and an examination was made June 13, 1956, by H. F. Robertson, U. S. Bureau of Mines and H. F. Albee, U. S. Geological Survey.

The uranium ore deposits on Tenderfoot Mesa occur in the upper part of the Salt Wash sandstone member of the Morrison formation, part of which has been eroded. The ore is found in typical northwest trending rolls and pods that are rather sporadically distributed and discontinuous, however, the Okan mine and other mines in the immediate area have produced a total of 1,146 tons of ore that averaged 0.46 percent U_3O_8 and 0.79 percent V_2O_5.

It is the opinion of the examining team that the revised exploration program herein recommended may discover other ore bodies in the 800 foot blast similar to that mined in the Okan mine.

I concur with the conclusions and recommendations of the examining team that the program thus far recommended be approved. The Atomic Energy Commission was consulted relative to the appraisal of the property.

Enclosed is the material for inclusion in a joint engineering and geological report as well as 10 copies of figure 2. Twenty-two copies of figure 3 for inclusion in a contract are also enclosed as well as the applicant's brochure.

DMEA EXAMINING COMMITTEE
8-3-56
(DATE)

J. William Hasler

J. William Hasler,
Geologist

Enclosures
JWH/dm

RECEIVED
JUL 30 1956
TRANSMITTED
JUL 25 1956

UNITED STATES
DEPARTMENT OF THE INTERIOR
FRED A. SEATON, SECRETARY

DEFENSE MINERALS EXPLORATION ADMINISTRATION

JOINT REPORT OF EXAMINATION BY EXAMINING TEAM
REGION III

DMEA 423L

OKAN MINE

Okan Uranium Corporation

Mesa County, Colorado

Uranium

Joint Engineering and Geologic Report

By

M. F. Albee, Geologist
Geological Survey

H. F. Robertson, Mining Engineer
Bureau of Mines

July 20, 1956

8-3-56

DMEA 4235

OKAN MINE
OKAN URANIUM CORPORATION
MESA COUNTY, COLORADO

RECEIVED
JUL 30 1958

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DMEA 4235

LEE COX AND T. R. GILLENWATERS
OKAN PROPERTIES
MESA COUNTY, COLORADO

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JUL 30 1956

INTRODUCTION AND SUMMARY

Lee Cox and T. R. Gillenwaters applied to the Defense Minerals Exploration Administration for aid in exploration of property leased to them by the Okan Uranium Corporation. The property is on the southern end of Tenderfoot Mesa in sec. 6, T. 50 N., R. 18 W., New Mexico principal meridian, Mesa County, Colorado.

The property was examined on June 13, 1956, by a DMEA examining team consisting of H. F. Albee, Geological Survey and H. F. Robertson, U. S. Bureau of Mines. The Okan mine which is on the property has ore deposits typical of the area and was inspected during the course of the field examination.

Salt Wash sandstone member of the Jurassic Morrison formation comprises the only rock exposed on the property. The upper part of the Salt Wash has been eroded and the thickness of the remaining Salt Wash sandstone ranges from 270 to 350 feet; the mineralized section lies about 220 feet above the base.

Ore bodies on Tenderfoot Mesa occur as rolls and lenses. Both types are characteristically small and discontinuous. The rolls are commonly 3 to 4 feet in diameter and of variable lengths and are usually high grade, thus comprising an important source of ore. The lense shaped ore bodies are from a few inches to 3 feet thick and

rarely exceed 100 feet in length. Both types of ore bodies have been mined from the property with the greater production being from the roll type deposit.

Production from the property has been mostly from one ore body containing about 800 tons. Other production was from a log that extended about 60 feet beyond the southeast end of the Okan Mine. An unnamed adit about 200 feet southeast of the mine has produced a small amount of ore from several thin lenses. The total production has been 1,146 tons.

The possibility of finding other bodies of uranium ore similar to that of the Okan Mine is good.

The applicant's proposal consists of non-core drilling 15,000 feet at $1.50 per foot. The overall cost of the project was estimated as $30,045.00. A conference with the applicant's representative resulted in a revised program which is agreeable to both the examining team and the applicant.

A two stage exploration program consisting of 142 rotary drilled non-core holes totaling 11,890 feet is recommended at an overall cost of $20,024.00.

Government participation at 75 percent would be $15,018.00.

ACKNOWLEDGEMENTS

The examining team was accompanied on the property by J. Morgan Harris, representative of the applicant.

The Atomic Energy Commission was consulted for information concerning the results of exploration drilling performed during 1951 and 1952 and for production and reserve data of operating mines in the area.

LOCATION, TOPOGRAPHY, AND PHYSICAL FEATURES

The property leased by Okan Uranium Corporation to Lee Cox and T. R. Gillenwaters is on Tenderfoot Mesa, mostly in sec. 6, T. 50 N., R. 18 W., New Mexico principal meridian, Gateway mining district, Mesa County, Colorado (fig. 1). The property may be reached by traveling 10 miles southeast from Grand Junction, Colorado, on U. S. Highway 50 to Whitewater, Colorado; thence 44 miles southwest on Colorado Highway 141 to the Calamity Hill road; thence 6 miles south to the top of Calamity Hill; and thence 8 miles over an improved access road to the Okan Mine. Traveling time from Grand Junction is about three hours by automobile.

The claims are at the southwestern end of Tenderfoot Mesa, which is bounded on all but the northern side by steep cliffs and deep canyons. Mesa-top topography is characterized by tilted ledges of sandstone which irregularly interrupt rolling hills of predominantly red and green mudstone. The mean altitude of the claims is about 6500 feet above sea-level.

The climate is semiarid with most of the precipitation occurring during the winter and early spring months. The area is subject to

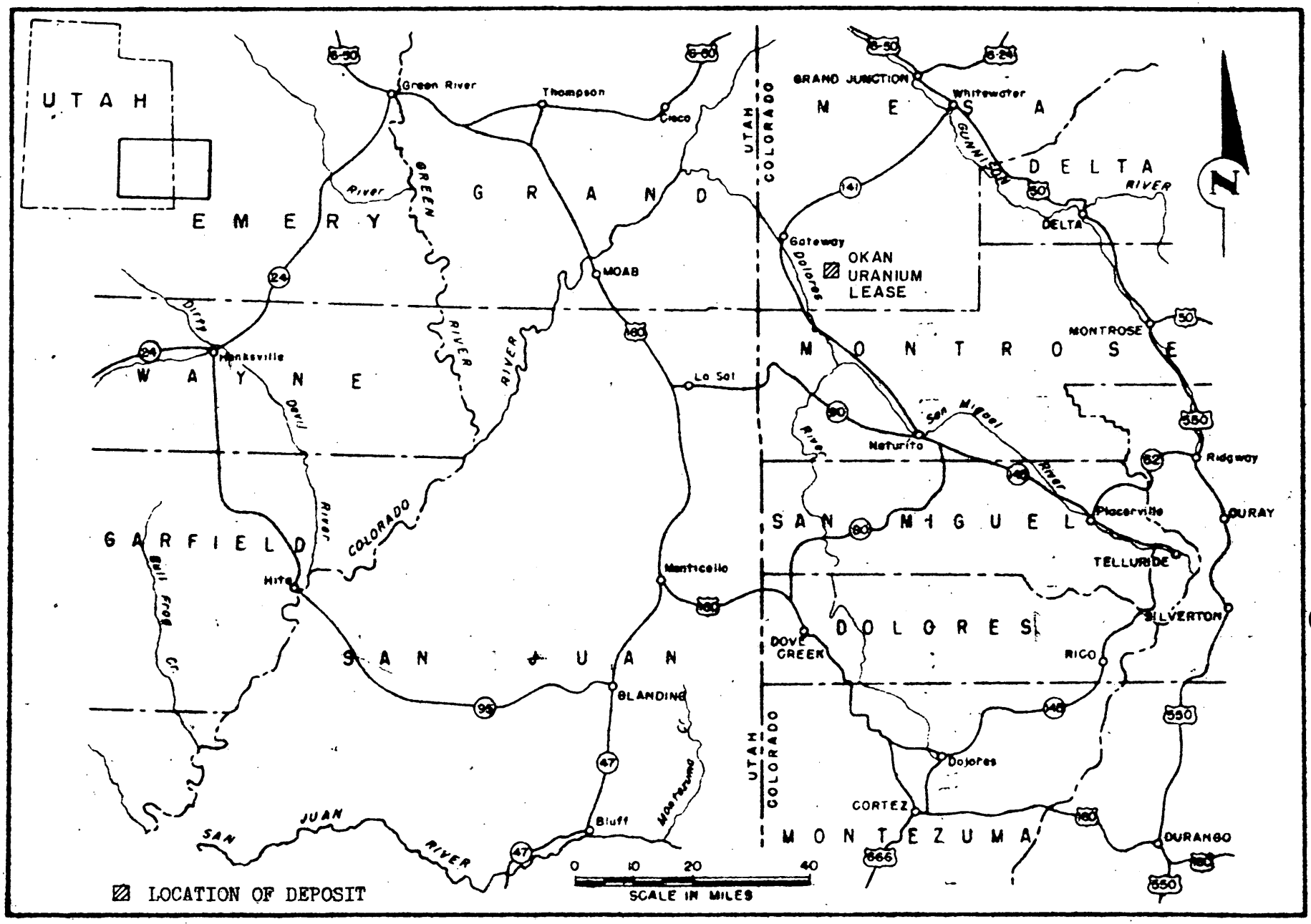

FIGURE 1 - LOCATION MAP, OKAN CLAIM AREA, L. E. COX AND T. R. GILLENWATERS, TENDERFOOT MESA, MESA COUNTY, COLO.

DMEA 4235

infrequent flash floods from cloudbursts. Vegetation consists of pinon, cedar, and sagebrush.

Power requirements are furnished by gasoline- or diesel-powered generators. Housing for personnel is usually constructed from rough lumber obtained from sawmills in the vicinity. Access to the area is too difficult for use of house trailers longer than 25 feet.

Supplies, equipment, and mine labor are available at Grand Junction, Colorado. Domestic water is available from a spring, 14 miles distant, and drilling water may be available from the mine.

Uranium ore produced in the area is usually hauled to a custom mill in Grand Junction, Colorado.

HISTORY AND PRODUCTION

Shipments of ore from the area were not recorded until June, 1948, but production from January 1939 to January 1952 is estimated at about 10,000 tons.

According to AEC records, the Okan Mine has produced about 300 tons of ore averaging 0.46 percent U_3O_8 and 0.79 percent V_2O_5. No ore has been mined since April 1956, but the mine has been maintained in operating condition pending further exploration.

OWNERSHIP AND EXTENT

The subject property consists of three standard lode mining claims and two fractions comprising a total of 74 acres. An area

that is in conflict with the Lone Mesa No. 1 claim is not included.

The property is owned by the Okan Uranium Corporation and location certificates are recorded at the Mesa County Courthouse in Grand Junction, Colorado as follows:

Name of Claim	Recorded					
	Original location			Amended location		
	Date	Book	Page	Date	Book	Page
X No. 3 (Amended)	5/2/55	642	233	6/4/55	648	125
K No. 6 (Amended)	5/2/55	642	229	6/4/55	648	129
K No. 5 (Amended)	5/2/55	642	228	6/4/55	648	128
K No. 4 (Amended	5/2/55	642	227	6/4/55	648	127
Atlas Fraction	8/25/55	658	459	—	—	—

A mining lease dated January 17, 1956, gives L. E. Cox and T. R. Gillenwaters the right to mine and remove ore from the leased claims.

The records at the Mesa County Courthouse, Grand Junction, Colo., were checked by the inspecting engineer and the recording data verified.

PRESENT STATUS

Exploration and Development

Company exploration on the subject claims has been limited to shallow wagon-drill holes behind two ore exposures along a rim in the Salt Wash on the K5 claim. No records of chemical assays or geologic logs from the holes were submitted by the applicant. Logs of radiometric probing of the holes were submitted as evidence of uranium

mineralization. Some impressive radiometric values are shown for several of the ore holes.

The Okem mine consists of an incline shaft to the larger ore body and an adit driven to the smaller ore body. After the ore was mined no further development work was performed. By April 30, 1956, total ore production from the subject property amounted to 1,146 tons.

Mining Equipment and Other Facilities

Mining equipment consists of a 125 c.f.m. Gardner-Denver compressor, three Gardner-Denver jack-leg drills, and most of the required supplies and accessories. Wooden platform bins for stockpiling ore have been constructed and a Ford front end loader is available for loading ore into trucks. Equipment for exploration drilling would be furnished by a contractor.

Three or four cabins are on the property and could be used for housing project personnel. Electricity is supplied by gasoline or diesel light plants. Domestic water is available at a spring about 14 miles distant from the Okem mine.

GEOLOGY

Tenderfoot Mesa is in the Gateway mining district and lies on the southwest flank of the Uncompahgre uplift. The regional dip is southwest at a low angle toward the axis of the Dolores syncline. In the northern part of Tenderfoot Mesa the rocks dip between 3° and 4°, and in the southern part of the mesa the dip is between 1° and 2°. There are no known faults in the mesa.

Deep canyons bound the southern part of Tenderfoot Mesa and the rocks exposed in the vicinity of the property range from those of the Kayenta formation upward through the Morrison formation both of Jurassic age (Fig. 2).

The Morrison formation in this area comprises two members, the Salt Wash sandstone or lower member and the Brushy Basin shale or upper member. The Salt Wash sandstone crops out above the Summerville formation as a series of resistant ledges and steep, rubble covered slopes. Sandstone is predominant but interbedded with the sandstone is red and locally green mudstone. Any relatively continuous sandstone stratum usually consists of interfingering lenses with superposed lenses, in many places, filling channels that have been carved in the underlying beds. Lenses are frequently separated by mudstone and contain mudstone seams. The sandstone is mostly fine- to medium-grained and consists largely of subangular to subrounded grains of quartz. The Salt Wash sandstone comprises the only rocks exposed on the property; part of the upper Salt Wash has been eroded. The thickness of the Salt Wash on the property ranges from about 270 feet near the rim to 350 feet in the northeast part of the claims.

ORE DEPOSITS

Five mineralized zones have been recognized on Tenderfoot Mesa; most of the uranium ore has been produced from the upper four. The

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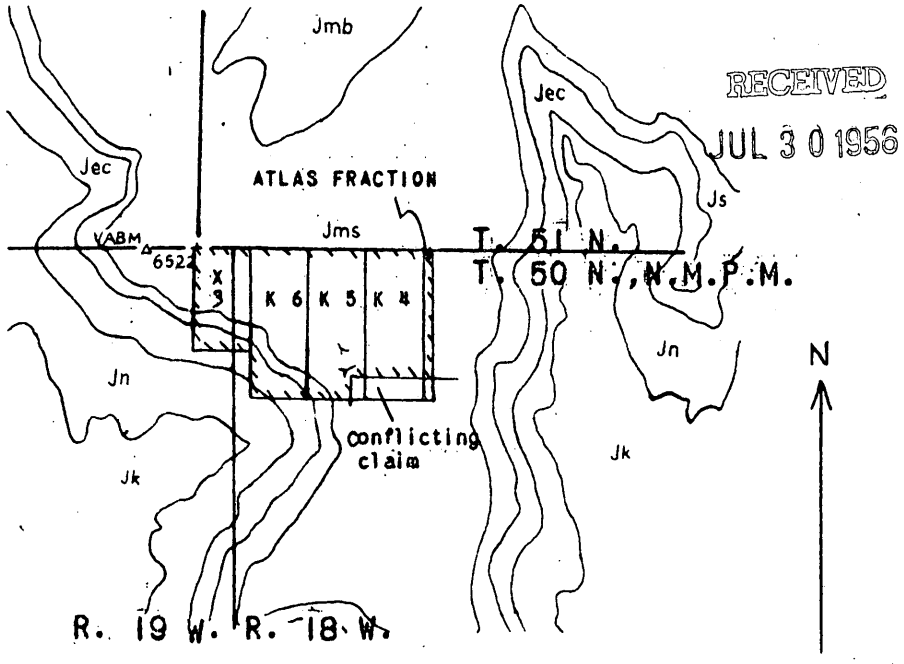
JUL 30 1956



EXPLANATION

Jmb	BRUSHY BASIN MEMBER OF JURASSIC MORRISON FORMATION
Jms	SALT WASH SANDSTONE MEMBER OF JURASSIC MORRISON FORMATION
Js	JURASSIC SUMMERVILLE FORMATION
Jec	JURASSIC ENTRADA SANDSTONE AND CARMEL FORMATION UNDIVIDED
Jn	JURASSIC AND JURASSIC(?) NAVAJO SANDSTONE
Jk	JURASSIC(?) KAYENTA FORMATION
	BOUNDARY OF AREA INCLUDED IN APPLICATION

2000 0 8000 FEET

Note: BASE MODIFIED FROM U.S.G.S. MAP CQ 55, GEOLOGY OF THE GATEWAY QUADRANGLE. CLAIM BOUNDARIES FROM APPLICANTS MAP.

FIGURE 2. GEOLOGIC MAP SHOWING THE K ET AL. GROUP OF CLAIMS, L.E. COX AND T.R. GILLENWATERS, MESA COUNTY, COLORADO

ore-bearing sandstone, which is about 50 feet thick on the property and correlates with the 4th mineralized zone above the base of the Salt Wash, is exposed at the surface along the rim and for a short distance back of the rim. This ore-bearing zone is from 220 to 230 feet above the base of the Salt Wash. The topography rises to the northeast to about 80 feet above the top of the ore-bearing sandstone.

Production from the property has been mostly from one ore body containing about 800 tons. Other production was from a leg that extended about 60 feet beyond the southeast end of the ore body. A small amount of ore has been produced from several thin lenses in an adit about 200 feet southeast of the ore body. The total production has been 1,146 tons.

Ore bodies on Tenderfoot Mesa occur as rolls and as lenses. Both types are characteristically small and discontinuous. The rolls are commonly 3 to 4 feet in diameter and are of different lengths. None have proved extensive but they are usually high grade and thus comprise an important source of ore. The lense shaped ore bodies are from a few inches to 3 feet thick and rarely exceed 100 feet in diameter.

Both types of ore bodies have been mined on the property with the greater part of the production being from the roll type. The relatively shallow ore roll was mined from the outcrop without the need of development crosscutting.

Some ore grade material remains along the ribs of the drift from which the roll was mined and thin exposures of ore-grade material remain in the adit from which the lenses were mined. The removal of this material would not be economical. No further reserves are known on the property.

The main uranium-vanadium mineral is carnotite. Vanadium minerals are present but were not identified. The uranium-vanadium ratio as indicated by Atomic Energy Commission payment records is about 1:2.

Wide spaced drilling on the property was completed by the Atomic Energy Commission in 1951 and 1952. Wagon drills were used and because water was encountered in several holes they were not completed. Drilling depths were considerably less than those estimated by the applicant. Of the twelve holes drilled, only two, 501 on the K6 claim and 503 on the K4 claim are shown on figure 3. The drill logs of these two holes showed them to be completed holes and they can be used as part of the recommended pattern of holes. The logs of the remaining holes either were not available or indicated that the holes were abandoned because of water.

APPLICANTS PROPOSED EXPLORATION AND COSTS

The applicant proposes an exploration program consisting of a total of 15,000 feet of wagon and rotary-drilling in an undetermined number of holes. Thirty-five hundred feet of drilling is proposed for drilling favorable trends near the rim and 9,500 feet would be

used to drill the deeper holes in the northeast section of the property. The remaining 2,000 feet would be available for drilling additional holes in favorable locations discovered by the previous drilling.

The estimated cost of the applicant's proposed program is shown as follows:

Road building tractor work - 20 days at $100.00 per day	$2,000.00
Drilling, 15,000 feet at $1.50 per foot	22,500.00
Supervision (geologist)	2,000.00
Surveyor	500.00
Instruments (counter, reel, probe, recorder)	1,295.00
Transportation (pickup)	1,200.00
Gasoline	50.00
Contingencies (maps, blueprints, food, etc.)	500.00
Total	$30,045.00

REVISED AND RECOMMENDED EXPLORATION PROGRAM AND COSTS

The examining team did not consider the applicant's program adequate for exploration of the subject property and a revised drilling plan agreeable to the applicant is hereby recommended. The revised program should more thoroughly test the potential ore-bearing sandstones underlying the claim area.

Under the present conditions neither the applicant nor the examining team consider core-drilling necessary or economically

advisable on this property. Sufficient information is available from rim exposures and from previous drilling to ascertain the general character of the ore deposits. Radiometric logging and chemical assay of drill cuttings will establish grade and thickness of any ore penetrated; samples should be taken at 2-foot intervals.

All holes should bottom in the mudstone directly underlying the potential ore-bearing sandstone indicated by previous exploration and development. Mudstone splits may interfinger with the sandstones at higher elevations in some of the holes. For this reason, any questionable hole should be drilled at least to the estimated depth as computed from the surface contour lines and the indicated elevation of the ore-bearing sandstone.

The recommended exploration program would be in two stages and is illustrated on figure 3. The holes in both stages would be located in a series of northeast-southwest fences perpendicular to the apparent trend of known ore exposures. The fences would be spaced at 75-feet intervals. The holes comprising each fence would be on 150-foot centers and located such that a diamond shaped pattern is formed with adjacent holes.

The estimated cost of the project is based on the bid by Scott Bros. Drilling Company. An average price of $1.30 per foot for dry and wet, rotary, non-core drilling is used due to the fact that water drilling will be necessary in an estimated fifty percent of the

holes. Cheaper wagon-drilling is not recommended due to the frequent occurrence of perched water tables in the area. Previous results have shown that wagon-drilling cannot be used after water is encountered in a hole.

Stage I of the proposed program will consist of 66 holes which will average 65 feet in depth and will explore the southwestern portion of the claim area as shown on figure 3. The estimated total footage for Stage I is 4,290 feet. The overall cost of Stage I, including bulldozer work and sample analyses is $7,364.00.

Stage II would be undertaken only if results in Stage I indicated that the size and frequency of ore occurrences were good enough to justify additional exploration, and would require written authorization by the Field Team, Region III. If authorized, the entire drill program in Stage II would be completed. This will consist of drilling 76 holes which will average 100 feet in depth and will explore the northeastern portion of the claim area. The total footage for Stage II is 7,600 feet and the overall cost is estimated at $12,660.00.

The costs for Stage I and Stage II may differ slightly from the above figures depending on the type of contract used.

Provision should be made to transfer funds and footage from Stage II to Stage I if necessary for completion of Stage I. The transfer must be approved and authorized by the DMEA Field Team.

Revised costs of the project are estimated as follows:

Stage I

Estimated time for completion - 1/2 month

Basis - 1 drill-rig - 1 shift per day

25 days per month - 300 feet per day

1. Independent Contracts

Bulldozing for roads and drillsites

80 hours at $10.00 per hour	$800.00	
Rotary drilling 66 holes 4,290 feet (at $1.30 per foot)	5,577.00	
Total Independent Contracts		$6,377.00

2. Labor, supervision, and technical services

1 geologist-supervisor, full-time (1/2 month at $600.00 per month)	300.00	
1 surveying crew, 3 days at $100 per day	300.00	
Total labor, supervision, and technical services		$600.00

3. Operating materials and supplies

Gasoline, oil, and repairs on pickup for supervisor-geologist (1/2 month at $50.00 per month)	25.00	
Sample bags, drill log forms, surveying and office supplies (1/2 month at $50.00 per month)	25.00	
Total operating supplies		$50.00

4. Operating Equipment

Rental	None	
Purchase	None	
Depreciation		
1 pickup valued at	$1,800.00	
1 counter & probe valued at	800.00	
	$26,000.00	
Depreciation on 60 month basis		
$\frac{2600}{60}$ = $43.33 per month		
Depreciation for 1/2 month	$21.67	
Total operating equipment		$21.67

5. and 6. No initial rehabilitation, repairs, new buildings or equipment.

7. Miscellaneous

Accounting, 1/2 month at $50 per month	$25.00	
Sampling and analyses, 100 samples analysed for U_3O_8 and V_2O_5 at $5.00 each	500.00	
Compensation insurance, payroll taxes, etc. on geologist-supervisor's salary at 6 percent of $300.00	18.00	
Total Miscellaneous		$543.00
Total cost of Stage I		$7,591.67

Inc. 19/6

Stage II

Estimated time for completion - 1 month

Basis - 1 drill rig - 1 shift per day

20 days per month - 300 feet per day

1. Independent Contracts

Bulldozing for roads and drillsites

80 hours at $10.00 per hour $800.00

Rotary drilling 76 holes, 7,600 feet

at $1.30 per foot 9,880.00

Total independent contracts $10,680.00

2. Labor, Supervision, and Technical Services

1 geologist-supervisor, full-time

one month at $600.00 per month $600.00

1 surveying crew, 3 days at $100 per day 300.00

Total labor, supervision, and technical services $900.00

3. Operating Materials and Supplies

Gasoline, oil, and repairs on

pickup for supervisor-geologist

1 month at $50.00 per month $50.00

Sample bags, drill-log forms,

surveying and office supplies

1 month at $50.00 per month 50.00

Total operating materials and supplies $100.00

4. Operating Equipment

Rental	None
Purchase	None

Depreciation

1 pickup valued at $1,800.00

1 counter and probe valued at 800.00

$2,600.00

Depreciation on 60 month basis

$\frac{2600}{60}$ = $43.33 per month

Depreciation for 1 month $43.33

Total Operating Equipment $43.33

5. and 6, None

7. Miscellaneous

Accounting, 1 month at $50 per month	$50.00	
Sampling and analyses, 100 samples analyzed for U_3O_8 and V_2O_5 at $5.00 each	500.00	
Compensation insurance, payroll taxes, etc. on geologist-supervisor's salary at 6 percent of $600.00	36.00	
Total Miscellaneous		$586.00
Total Cost of Stage II		$12,309.33

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Breakdown of Costs

Item	Phase I	Phase II
Independent Contracts		
Bulldozing access roads and	$800.00	$800.00
drill sites. Drilling, 11,890	(4,290 feet)	(7,600 feet)
feet of plug-bit at $1.30 per foot	$5,577.00	$9,880.00
Labor and Supervision	$600.00	$900.00
Operating Material and Supplies	50.00	100.00
Operating Equipment	21.67	43.33
Misc. (less assaying)	43.00	86.00
Total (less assaying)	$7,091.67	$11,809.33
Cost per foot	$1.65	$1.55
Average cost per foot (for contract use)	$1.60	
Chemical assays at $5.00 each	500.00	500.00
Cost (incidental allowance)	714.67	1,129.33
(less independent contracts and chemical analyses)		
Cost per foot (incidental allowance)	0.17	0.15
Average cost per foot (incidental allowance) (for contract use)	$0.16	

Summary of Costs for Contract Use

It is suggested that the unit cost type of contract be used for this project. The computed unit cost to cover all categories, with the exception of chemical analyses, is $1.60 per foot of drilling

performed. The overall cost of the project would be $19,024.00 plus $1,000 for 200 chemical assays, or $20,024.00. Government participation would be 75 percent or $15,018.00

A tabulation of this type is shown below:

Item	Unit Units	Unit Cost	Stage I Units	Stage I Cost	Stage II Units	Stage II Cost	Total Units	Total Cost
Chemical analyses	each	$5.00	100	$500.00	100	$500.00	200	$1,000.00
All other costs	foot	$1.60	4,290	$6,864.00	7,600	$12,160.00	11,890	$19,024.00
Contract total				$7,364.00		$12,660.00		$20,024.00

As an alternate, the independent contract costs can be listed at actual bid price and the remaining estimated costs can be computed on a unit cost basis as shown in Table III. The total project cost would then be $19,901.00 and Government participation at 75 percent would amount to $14,925.75. These costs are summarized as follows:

Item	Unit Units	Unit Cost	Stage I Units	Stage I Cost	Stage II Units	Stage II Cost	Total Units	Total Cost
Bulldozer work	hour	$10.00	80	$800.00	80	$800.00	160	$1,600.00
Rotary drilling	foot	1.30	4,290	5,577.00	7600	9880.00	11890	15,457.00
Chemical analyses	each	5.00	100	500.00	100	500.00	200	1,000.00
Incidental allowance	foot	0.16	4,290	714.67	7600	1129.33	11890	1,844.00
Contract total				$7,591.67		$12,309.33		$19,901.00

CONCLUSIONS AND RECOMMENDATIONS

The property has produced over 1100 tons of ore, about 800 of which was from a roll type ore body. The ore was mined from relatively shallow depths. The ground rises to the northeast to a maximum of about 80 feet above the ore-bearing sandstone but the average drilling depths over a large part of the area would be less than 100 feet. The possibility of other rolls occurring on the property appears good.

Exploration by drilling in two stages consisting of 4,290 feet of rotary, non-core drilling in the first stage and 7,600 feet of rotary, non-core drilling in the second stage at an estimated overall cost of $20,024.00 is recommended for approval. Government participation at 75 percent would be $15,018.00

An allowance under depreciation is made for use of a Babbel counter and deep-hole probe. It is assumed that this service will be done by the geologist-supervisor as part of his duties. This would be in addition to any gamma ray logging by a DMEA logging unit.

The usual provisions governing minimum spacing of holes, probing, collection and analyses of cutting samples should be incorporated in the recommended contract.

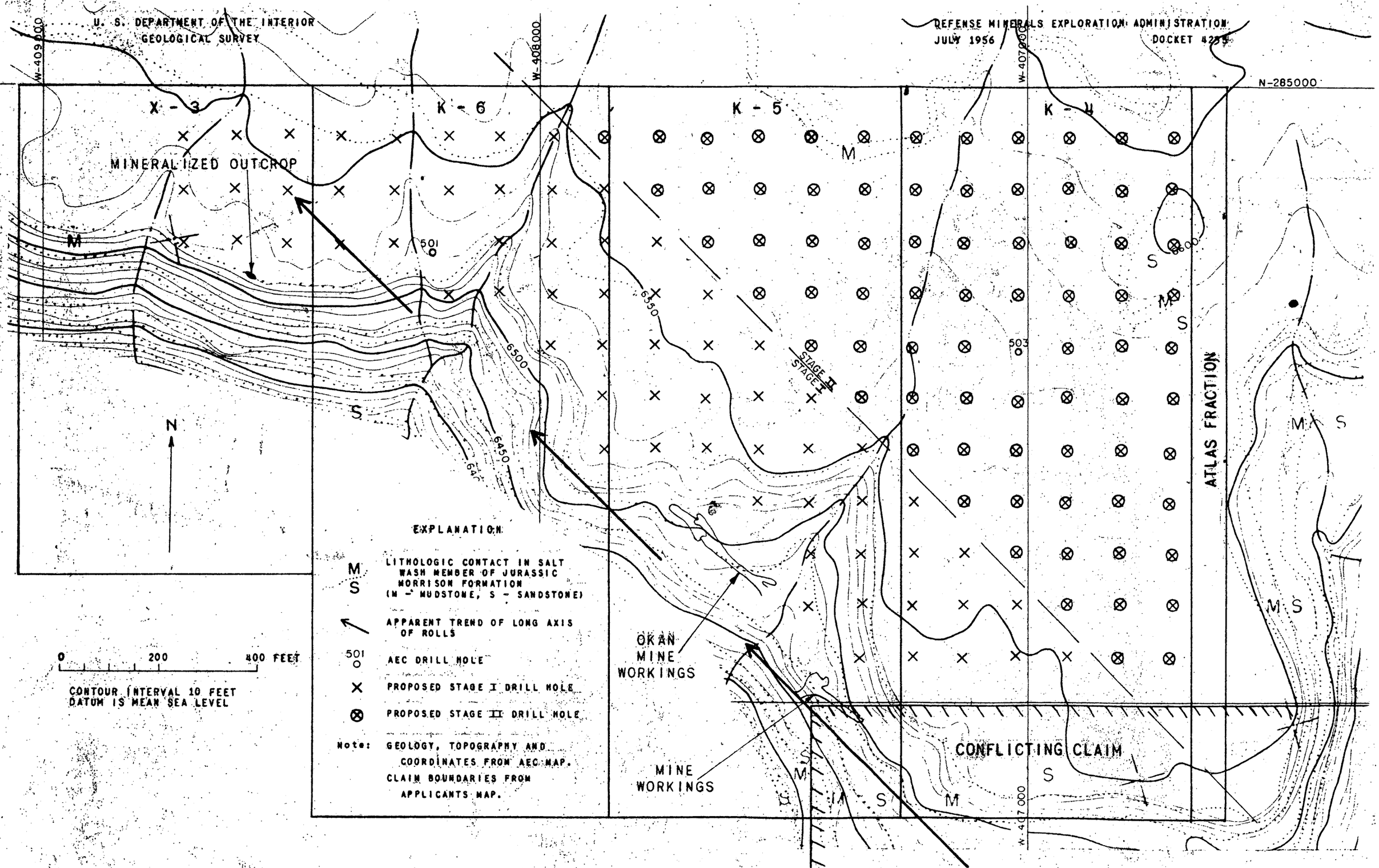

FIGURE 3.--GEOLOGIC AND CLAIM MAP SHOWING LOCATION OF PROPOSED DRILL HOLES, LEE E. COX AND T. R. GILLENWATERS, OKAN PROPERTIES, TENDERFOOT MESA, MESA COUNTY, COLORADO.