OFFICE OF MINERALS EXPLORATION
CONTRACT [illegible] AND AUDIT DIVISION

MAY 25 1959
O.M.E.

REPORT OF AUDIT

I have reviewed the Monthly Reports of:

R.A.G. Mining Company
[illegible]
[illegible]

pertaining to Exploration Project Contract No. [illegible], MMA No. 4308, including Amendment No. 1 for the period May 23, 1958 to February 15, 1959, inclusive, covering a project for the exploration of Uranium on property known as Lightning Group of Claims, located in Fremont County, Colorado

My review included an examination of the Monthly Reports (Form MF-104) and supporting documents attached thereto, comparison of the costs claimed with the contract and pertinent schedules, verification of work performed by reference to Field Data reports and correspondence, and a determination of the reasonableness and propriety of the costs.

The review was made in lieu of a final audit of the Operator's accounts and records for the reasons given on the attachment to this report.

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

Total cost as billed by Contractor		$17,552.72
Exceptions: (Schedule attached)		
Prior to this review	$185.50	
Less: Reinstatement by review	-	
Herewith	-	185.50
Total Accepted Cost		[illegible]

The contract calls for a 75 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Thirteen Thousand Thirty and 66/100ths Dollars is valid and proper, provided that the Regional Officer, the Director, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

Amount payable to Operator	$13,030.66
Amount reimbursed	[illegible]
Balance due Operator (Government)	$ [illegible]

May 22, 1959

Donald T. Farrell
DONALD T. FARRELL
OME, Auditor

REASONS FOR REPORT OF REVIEW IN LIEU OF FINAL AUDIT

CONTRACT [illegible] | REPORT NO. [illegible]

D.A.C. [illegible] COMPANY

(a) The monthly reports were supported by documentary proof of that portion ([illegible]) of the costs which covered work performed at unit rates under independent contract and that portion ($1,000.00) which covered other costs for reimbursing by the Government on the basis of actual costs. (See Summary attached).

(b) The administrative cost to the Government of an audit would be excessive in relation to the estimated amount of possible additional disallowances thereunder.

SCHEDULE OF EXCEPTIONS

CONTRACT [illegible]

PAGE NO. [illegible]

R.A.C. [illegible] COMPANY

Exceptions by Field Team prior to review

30 acre hours at $1.25/hr; in excess of allowable maximum	$ 37.50	
74 ft. of unwinding and rewinding at $2.00/ft; in excess of allowable maximum	148.00	
Total exceptions		$185.50

The Executive Officer of the CNE Field Team, Region XIX and the Auditor concur with the foregoing exceptions.

Schedule No. [illegible]

[illegible]

[illegible]   [illegible]

[illegible]

[illegible]			
[illegible]			
[illegible] at $12.00/hr.		[illegible]	
[illegible]			
[illegible]			
[illegible] ft. at average of $6.9019/ft.	$13,679.30		
A [illegible]			
[illegible] ft. at average of $[illegible]/ft.	306.95		
[illegible]			
[illegible] ft. at [illegible]/ft.	[illegible]	13,065.95	
[illegible]			
[illegible] ft. at $0.10/ft.		[illegible]	$15,[illegible]
[illegible]			
[illegible] at $500.00/mo.		1,500.00	
[illegible]			
[illegible]			
[illegible] at $1.25/ea.	[illegible]		
[illegible]			
[illegible] at $5.00/ea	[illegible]	[illegible]	[illegible]
Total accepted claim			[illegible]

MAY 26 1959

Memorandum

To: Mr. Donald T. Finch, OME Auditor

From: E. D. Talbert, Acting Chief (Signed) E. D. Talbert
Contract Administration and Audit Division

Subject: Docket No. DMEA-4328 (Uranium)
D.A.C. Uranium Company
Contract No. Idm-E1148

Your Report of Review on the above-cited contract is acceptable and normal distribution is authorized.

AMAlley/ama
May 26, 1959

Copy to: Docket
Director's Reading File
CA & A Division

EXTRA COPY O. M. E. RECEIVED MAY 25 1959		
DATE	INITIALS	CODE
		800

20th New Customhouse
Denver 2, Colorado

May 21, 1959

Memorandum

To: Chairman, Operating Committee, GMX

From: Executive Officer, GMX Field Team, Region III

Subject: Docket DMA 4388 (Uranium) Contract 14s-01148, D. A. C. Uranium Company (Lightning group) Fremont County, Colorado

Enclosed are two copies of a memorandum report dated April 30, 1959, from F. B. Moore, Geologist, Geological Survey and Cecil Bulser, Mining Engineer, Bureau of Mines, pertaining to the disallowance of Hole No. 7, which was discussed in our letters to E. E. Thurber, Jr., dated May 5 and 12, 1959, copies of which were forwarded to you at the time of writing.

Original signed by
J. W. TOWNSEND

J. W. Townsend

Enclosures

JWT:jy

cc: Marshman
Bulser, GMX/DFC
MF-104 file, Reg.3
Corres. file
Suspense file
Chron.

} w/copy of enclosure

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Office of Minerals Exploration
Denver Federal Center
Denver 25, Colorado

OME
DEPARTMENT OF THE INTERIOR
APR 22 1959
REGION III
DENVER, COLORADO

April 20, 1959

Memorandum

To: Executive Officer, OME Field Team, Region III
Through: E. N. Burchman

From: F. B. Meene
Earl Baker

Subject: Contract DMEA 4,[illegible] (Uranium), Contract [illegible] 1148, B.A.E. Uranium Company (Lightning group), Fremont County, Colorado

Planned drilling on the Lightning group of claims under DMEA contract has exceeded total allowable footage by 111.5 feet. Therefore, at least 111.5 feet of drilling must be disallowed.

The drilling target was a fault zone containing uranium. More footage was required than originally planned because the average dip of the fault zone is steeper than expected. Structurally, there is no geologic reason to assume that any of the holes drilled were of excessive length in regard to a revised position of the fault zone based on partial or complete drill data. Of the 13 holes drilled, six were mineralized and four others had recognizable fault material in the projected position of the fault zone as revised. Therefore, one too many holes was drilled to stay within the terms of the contract.

The examining team recommends that hole 7 be disallowed. Hole 7 is selected because it is the last hole for which claim for payment will be made, and also because it is one of three holes which most nearly equals the footage drilled in excess of contract provisions.

EXTRA COPY
O. M. E.
RECEIVED MAY 25 1959
DATE | INITIALS | CODE

F. B. Meene
F. B. Meene, Geologist

Earl Baker
Earl Baker, Mining Engineer

Filename: Lch

EXTRA COPY
O. M. E.
RECEIVED MAY 15 1959

DATE	INITIALS	CODE
		800

25A Rev Centennial
Denver 2, Colorado
May 13, 1959

Memorandum

TO: Donald T. Finch, GMX Auditor

From: Executive Officer, GMX Field Team, Region III

Subject: Docket No. DMMA 4368 (Uranium) Contract No. IAm-8114A
D.A.C. Uranium Company (Lightning group) Fremont County, Colorado

The subject contract was considered completed as of the close of business on February 13, 1959, and the Operator was so notified by our letter of May 12, 1959, a copy of which is enclosed for your records.

The Operator's final report has been received; therefore, final payment of the Operator's account is in order contingent on release to this office of a Certificate and Report of Audit or Report of Review of reported project costs, whichever the case indicates.

All of the work under the contract was performed on the basis of actual incurred costs.

An amount of $800.00 was withheld from reimbursement to the Operator in processing its final accounting report which was for the period September 30, 1958 through February 13, 1959.

Original signed by
J. W. TOWNSEND

J. W. Townsend

Enclosure

JDC:lm

cc: Chem. Op. Comm. (2)
Shrubman
Balser, GMX/DFC
Corres. file, Reg. III
Cooper
Chron.

EXTRA COPY
O. M. E.
RECEIVED MAY 15 1959

DATE	INITIALS	CODE
		800

224 New Customhouse
Denver 2, Colorado
May 13, 1959

Mr. Duffy Salinger
Office Manager
Gunnison Mining Company
Gunnison, Colorado

Re: Docket No. [illegible] 4328 (Uranium)
Contract No. [illegible]
D. A. C. Uranium Company
(Lightning group)
Freemont County, Colorado

Dear Mr. Salinger:

Receipt is acknowledged of your letter dated May 11, 1959, pertaining to operations under the subject contract.

For your information we are enclosing one copy each of two letters from Mr. H. K. Thurber, Jr., one dated May 1, 1959, and the other undated. We are also enclosing one copy each of our letters of May 5, 1959, and May 12, 1959 which are in answer to Mr. Thurber's letters.

As you will note, all matters which are prerequisite to closing the account have been accomplished except for final audit or review of the reported project costs by an OME Auditor, and final reimbursement to the Operator.

By letter of November 18, 1958, Mr. A. M. Brennecke, President, D.A.C. Uranium Company advised this office that it is not in accordance with the bylaws of the Company for payment to be made to any party other than D.A.C. Uranium Company; therefore, when final payment is made, the check will be forwarded to D.A.C. Uranium Company, and it will be necessary for you to make private arrangements for any monies which may be due you.

JBC:ltm

Very truly yours,

Original signed by
J. W. TOWNSEND

J. W. Townsend
Executive Officer, OME
Field Team, Region III

cc: Chmn. Op. Comm. (2) } w/cpy
Marshman } Salinger's
Belser, OME/DFC } ltr 5/11/59
Corres. File Reg. III
Cooper
Chron.

Enclosures

cc: Mr. A. M. Brennecke, President } w/cpy HKT ltr undated
D.A.C. Uranium Company } our ltr 5/12/59 and
4427 Cole Avenue } Salinger's ltr 5/11/59
Dallas 5, Texas

Gunnison Mining Company
GUNNISON, COLORADO
P. O. Box 539
Telephone 543

May 11, 1959

OME
DEPARTMENT OF THE INTERIOR
MAY 13 1959
REGION III
DENVER, COLORADO

EXTRA COPY
O. M. E.
RECEIVED MAY 15 1959

DATE	INITIALS	CODE

Mr. J. W. Townsend
Executive Officer OME
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Townsend:

Since Gunnison Mining Company no longer employ s Mr. H.K. Thurber Jr, and since we are anxious to consummate the DMEA paper work on the DAC Uranium Company property, we would appreciate your sending us a copy of all future correspondence relative to the project in order that we may be able to follow the status more closely. Perhaps you can also bring us up to date on what is required for us to obtain final payment on the work performed. We would also appreciate your sending the payments due to our Gunnison office.

Thank you very much for your attention and cooperation in this.

Yours truly,

Duffy Salinger
Office Manager

DS:jam

EXTRA COPY
O. M. E.
RECEIVED MAY 15 1959

DATE	INITIALS	CODE
		800

[illegible] New Customhouse
Denver 2, Colorado
May 12, 1959

Mr. E. L. Thurber, Jr.
Project Manager
D. A. C. Uranium Company
P. O. Box 432
Salida, Colorado

Re: Docket No. [illegible] (Uranium)
Contract No. [illegible]
D. A. C. Uranium Company
(Lightning group)
Fremont County, Colorado

Dear Mr. Thurber:

Reference is made to your undated letter which was received in this office May 12, 1959, whereby you advised that a supplemental validity and accounting report will not be submitted to cover the costs of hole No. 7, because sufficient drilling footage is not available under the contract for completion of an additional hole. The contract is considered completed as of February 13, 1959.

Your final engineering and geologic report has been received; therefore, final audit or review of the reported project costs will be scheduled as soon as possible by the Contract Administration and Audit Division, GMX, and final settlement of the account will be made upon release of the Auditor's report to this office.

Very truly yours,

J. W. Tremond
Executive Officer
GMX Field Team
Region III

JWT:lcm

cc: Chem. Op. Comm. (2)
Hargraves) w/cpy Oper's
Bolger, GMX/RFC) undated
Corres. file Reg. III) ltr
Cooper
Chron.

D. A. C. Uranium Company
P. O. Box 432
Salida, Colorado

OME
DEPARTMENT OF THE INTERIOR
MAY 12 1959
REGION III
DENVER COLORADO

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 15 1959

DATE	INITIALS	CODE

Mr. J. W. Townsend
Executive Officer, OME
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

RE: Docket No. DMEA 4328
Contract Idm-E1148
D. A. C. Uranium Company
Fremont County, Colorado

Dear Mr. Townsend:

Reference is made to Paragraph 3 of your letter of May 5, 1959. We do not wish to present a supplemental voucher for Hole No. 7 and request that you consider the accounting report for the period of September 30, 1958 through February 13, 1959 as the final accounting report.

Regarding the Final Engineering and Geologic Report, it was mailed to your office on May 6, 1959.

Thank you for your and your engineer's assistance and cooperation on the drilling project under this DMEA Contract.

Best personal regards.

Very truly yours,

H. K. Thurber, Jr.
Project Manager

HKT/jt

EXTRA COPY O. M. E. RECEIVED MAY 7 1959		
DATE	INITIALS	CODE
		800

224 New Customhouse
Denver 2, Colorado
May 5, 1959

Mr. H. T. Thurber, Jr.
Mining Engineer
P. O. Box 432
Salida, Colorado

Re: Docket No. DMEA 4388
Contract Ldm-Kl148
D.A.C. Uranium Company
(Lightning Group)
Fremont County, Colorado

Dear Mr. Thurber:

Receipt is acknowledged of your letter of May 1, 1959, pertaining to the supplemental voucher and accounting forms MF-104 and MF-104A, covering the work units and costs for Hole No. 7.

Review of the monthly report and voucher for the period from September 30, 1958, through February 13, 1959, which has now been processed, reveals that the maximum allowable units for core boxes and for cementing and redrilling have already been expended and that sufficient drill footage does not remain available for completion of another hole. Under EXHIBIT "A", page 2, second paragraph, the contract stipulates that the Government will not contribute to an incompleted hole, therefore it is necessary that one hole be deleted.

Hole No. 7 has not been reported completed to contract specifications; therefore, as sufficient drilling footage is not available for its completion it will be necessary to disallow the entire cost of the hole, if it is reported. You may prefer not to submit a supplemental voucher for Hole No. 7, in which case, please inform this office by return mail that you wish the accounting report for the period from September 30, 1958, through February 13, 1959, to be considered as the final accounting report.

In the event you wish to submit a supplemental accounting report and voucher for Hole No. 7 for the records, following are the answers to the questions asked in your letter.

1. All accepted work units and costs to date, plus the additional units and costs for Hole No. 7, are to be included on the supplemental Forms MF-104 and MF-104A.

2. Units and costs which have been disallowed in processing prior vouchers should be deleted from the supplemental forms.

3. Amounts previously suspended for Hole No. 7 are as follows:

Core drilling, 130 feet at $7.00/ft.	$910.00
Core boxes, 14 boxes at $1.25/box	17.50
Cementing and redrilling, 11 ft. at $2.00/ft.	22.00
Total	$949.50

There still remains the matter of the Operator's final engineering and geologic report required under Article 7(e) of the contract, which is to be submitted by you as a separate matter from the final accounting report. For prior correspondence regarding the final report, please refer to your letter of February 19, 1959, and our reply of March 17, 1959.

In addition to your decision regarding whether you will submit a supplemental voucher covering Hole No. 7, we will appreciate advice by return mail, as to the date within the near future on or before which we can expect to receive the required five copies of the final engineering and geologic report.

Very truly yours,

Original signed by
J. W. TOWNSEND

J. W. Townsend
Executive Officer, OME
Field Team, Region III

JDC:bsh

cc: Mr. A. M. Brennaka
4427 Cole Ave.,
Dallas 5, Texas

cc: Chmn. Op. Comm. (2)
Harshman
Belser, OME/BPC
Corres. file, Reg.III
Cooper
Chron
} w/copy of Operator's letter of 5/1/59

[illegible]

[illegible]
Accounting Officer, [illegible]
[illegible] Region [illegible]
[illegible] Tenth Street
Denver 2, Colorado

Re: Docket No. [illegible] (Remand)
Contract [illegible]
D. A. C. Uranium Company
Fremont County, Colorado

Dear Mr. Townsend:

Upon my return to Canon City after [illegible] found your letter of April 15, 1959 returning [illegible] certain payment disallowed by your office.

Several questions have arisen regarding the proper completion of the [illegible]-104 and [illegible]-104-A forms for [illegible].

1. Paragraph 2 of your letter requires that the [illegible] totals to date for all work completed under the [illegible]. Does this indicate totals for all work to the termination date of the contract or to the end of the period covered by the [illegible]-104 form from which the amounts shown on the Audit Difference Statement were deducted?

2. Should the totals to date, in any case, be the actual totals shown on the previously presented [illegible]-104 forms or the totals minus the amount disallowed?

3. Referring to the Administrative Audit Difference Statement, will you please outline how the figure of $919.10 was arrived at as the full cost of Hole No. 7.

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 7 1959

DATE	INITIALS	CODE

The M-104 forms will be completed when advice on the above questions is received. Please address any future correspondence to P. O. Box 432, Salida, Colorado.

Thank you.

Very truly yours,

D. A. C. URANIUM COMPANY

H. K. Thurber, Jr.
Project Manager

HKT:gh

224 New Customhouse
Denver 2, Colorado

FINAL DISTRIBUTION
MADE JUN 3 - 1959

June 2, 1959

EXTRA COPY
O. M. E.
RECEIVED JUN 5 1959

DATE	INITIALS	CODE
		800

Memorandum

To: T. A. Christensen

From: Executive Officer, OME Field Team, Region III

Subject: Docket DMEA 4328 (Uranium) Contract Idm-Nilk8, R. A. C. Uranium Company (Lightning group) Fremont County, Colorado. FINAL PAYMENT

Reference is made to our memorandum of April 27, 1959, whereby we forwarded to you the original and four copies of Forms MF-104 and MF-104a, Operator's Narrative Report and Engineer's Report for the period of September 30, 1958 through February 13, 1959, and instructed you to withhold from reimbursement to the Operator the amount of $200.00, pending resolution of all matters prerequisite to closing the account.

Contrary to advice to you in our memorandum of April 27, the Operator elected not to submit a supplemental voucher covering costs of drill hole No. 7 as that hole would exceed allowable maximum drilling footage provided for in the contract and, therefore, would have been disallowed in any event.

The Operator has rendered a final engineering and geologic report pertaining to work completed under the contract as provided for in the contract. Therefore, it is recommended that final payment to the Operator in the amount of $200.00 be made in accordance with the Report of Review of reported project costs by the Contract Administration and Audit Division, OME, dated May 22, 1959.

Original signed by
J. W. TOWNSEND

J. W. Townsend

JWT:jy

cc: Chm. Op. Comm. (2)
OME/DFC
MF-104 File, Reg. III
Suspense File
Chron.

$200.00

6/2/59 OME 59-111

Form MF-104 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.5

MAY 4 1959 O.M.E.

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

Month of 9/30/58-2/13/59, 195..... Docket No. DMEA 4328 Contract No. DMEA-E1048

Operator's Name D.A.C. Uranium Company Minerals Uranium

Address P. O. Box 935; Canon City, Colorado

Contract Amount, $ 17,939.00 Government Participation: 75 % Amount, $ 13,454.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent ~~Short Form~~ Contracts:						
Drilling	4263.00	9802.55	14,065.55			
Bulldozing	None	288.00	288.00			
~~Crosscutting~~ Probing	60.87	139.80	200.67			
Drifting						
Cementing & Redrill.	602.00	546.00	1,148.00			
(2) Labor and Supervision:						
Labor						
Supervision	150.00	1,350.00	1,500.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
Core Boxes	50.00	187.50	237.50			
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis	120.00	None	120.00			
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	5,245.87		17,559.72	507.87	12,296.35	17,374.22

OME
DEPARTMENT OF THE INTERIOR
APR 9 - 1959
REGION III
DENVER, COLORADO

I certify that the above bill is correct and just and that payment therefor has not been received.

Date May 6, 1959 *Payee D.A.C. Uranium Co.

Per [signature] Title Project Manager

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

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

Remarked 50-00
Mitted 200-00

(Instructions on reverse)

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

$ 4108.40

Signature [signature]
(Authorized Certifying Officer)

Date 4/28/59 Vou. No. OME 59-104

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. DMEA-E1148 in accordance with the terms of the contract.

Signature Carl Belen (3,808.40) Title Mining Engineer Date 4/21/59

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: Checked for Engineering Allowability

Signature E. M. Hawkins Title Acting Executive Officer Date APR 27 1959

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-101A
(April 1952)

Budget Bureau No. 44-R1451.2

MAY 4 1959
O.M.E

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of 9/30/58-2/13/59 195 Docket No. DMEA 4328 Contract No. Ian-E1148

Operator's Name D.A.C. Uranium Company Minerals Uranium

Address P. O. Box 935/ Canon City, Colorado

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting Bulldozing	Hr	None	None	288.00	24	12.00	24	12.00
Crosscutting Core Drill. BX	Ft	3,990.00	570.00	13679.50	1983.5	7.00	(2060	7.00
Raising AX	Ft	273.00	42.0	386.05	59.0	6.65	(	6.65
Shafts Radiometric Probe	Ft	60.87	608.7	200.67	2006.7	0.10	2060	0.10
Winzes Supervision	Mo	150.00	1/4	1500.00	2-1/2	600.00	2-1/2	600.00
Drilling: Core Core Bxs	Ea	50.00	40	237.50	190	1.25	160	1.25
Churn Analysis	Ea	120.00	24	120.00	24	5.00	65	5.00
Auger Redrill	Ft	602.00	301.0	1148.00	574.0	2.00	500	2.00
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS								TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		5,245.87		17,559.72				

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

Date May 7 1959 Operator D.A.C. Uranium Co.

Per W. R. Thurber Jr. Title Project Manager

REMARKS:

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

(Instructions on reverse)

(For Government use only) Carl Belan

INSTRUCTIONS

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

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

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

GPO 872894

FINAL DISTRIBUTION

MADE APR 29 1959

U. S. DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
REGION III

Administrative Audit Difference Statement

Date: April 29, 1959

Payee's Reference: 9/30/58 - 2/13/59

D.A.C. Uranium Company
1307 Tower Petroleum Bldg.
Dallas Texas

Upon examination of the above Payee's Reference a difference was found which made it necessary to suspend your account accordingly:

Amount Claimed $ 5245.87

Difference $ 168.00

Amount Approved $ 5077.87

The reason for the difference was due to: See attached

Amount reinstated ----------$200.00

Amount withheld----------$200.00

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 4 1959

DATE	INITIALS	CODE
5/4	a	220
		800

Any reclaim for deductions made above must be supported by the ORIGINAL of this form.

Very sincerely yours,

N. E. Stokes
Audit Section

R-III-B & F Form No. 4
4-15-52 D

Disallowance, Core Boxes

The contract provides for a maximum of 160 core boxes to be purchased, which has been exceeded; therefore the reported cost for excess core boxes is to be disallowed as follows:

Included in units and costs to date, 190 core boxes at $1.25 per box---------- $237.50
Previously suspended, now considered disallowed, 14 core boxes at $1.25 per box---------- 17.50
Net reported to date, 176 core boxes at $1.25 per box----------$220.00
Maximum allowable, 160 core boxes at $1.25 per box---------- 200.00
Disallowed, 16 core boxes at $1.25 per box----------$ 20.00

Disallowance, Cementing and Redrilling

The contract provides for a maximum of 500 feet of cementing and redrilling. The allowable maximum has been exceeded, therefore, the reported cost for excess cementing and redrilling is to be disallowed as follows:

Total reported to date, 574 feet at $2.00 per foot -- $1148.00
Maximum allowable, 500 feet at $2.00 per foot--------- 1000.00
Amount to be disallowed, 74 feet at $2.00 per foot---------- $148.00

Total amount disallowed---------- $168.00

Reinstated the amount of $500.00 which was withheld from reimbursement to the Operator in processing Form MW-104 for the period from June 23, 1958 through September 30, 1958.

Withheld an amount of $200.00 from reimbursement to the Operator in processing the current voucher, pending resolution of matters prerequisite to closing the account. The contract work has been completed.

OFFICIAL FILE COPY O. M. E. RECEIVED MAY 4 1959		
DATE	INITIALS	CODE

224 New Customhouse
Denver 2, Colorado
April 27, 1959

Memorandum

To: T. A. Christensen

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

Subject: Docket No. RMEA 4328 (Uranium) Contract Idm-E1148, D. A. C. Uranium Company, (Lightning group) Fremont County, Colorado - Operator's Monthly Progress Report for the period - Sept. 30, 1958 through February 13, 1959

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

The work is being performed partly under independent subcontract, and partly at fixed unit costs. The drilling rates are as low or lower than the rates contained in the lowest and best bid submitted with the application. Under the circumstances, the rates for the work performed under independent subcontract are considered to be reasonable.

Except as otherwise indicated below, we consider that the Operator has complied with the intent of the contract, and the work for which payment is recommended is acceptable to the Government. Payment is recommended on the following basis contingent on your verification of the correctness of applicable rates and arithmetical accuracy of computations.

The Operator intends to submit a separate voucher covering the costs of hole No. 7, which costs were previously suspended in processing the voucher for the period June 23, 1958 through September 30, 1958, because the hole had not been probed radiometrically as required. All of the previously reported costs for hole No. 7 have been deleted from the current voucher, with exception of the cost for 14 core boxes which is included in the "Totals Previously Reported" and "Totals to Date". The previously suspended cost for the 14 core boxes is now considered to be a disallowance, and additional core boxes are to be disallowed as indicated below, as the maximum allowable number of core boxes provided in the contract has been exceeded.

Disallowance, Core Boxes

The contract provides for a maximum of 160 core boxes to be purchased, which has been exceeded; therefore the reported cost for excess core boxes is to be disallowed as follows:

Included in units and costs to date, 190 core boxes at $1.25 per box	$237.50	
Previously suspended, now considered disallowed, 14 core boxes at $1.25 per box	17.50	
Net reported to date, 176 core boxes at $1.25 per box		$220.00
Maximum allowable, 160 core boxes at $1.25 per box		200.00
Disallow, 16 core boxes at $1.25 per box		$ 20.00

Disallowance, Cementing and Redrilling

The contract provides for a maximum of 500 feet of cementing and redrilling. The allowable maximum has been exceeded, therefore, the reported cost for excess cementing and redrilling is to be disallowed as follows:

Total reported to date, 574 feet at $2.00 per foot	$1148.00	
Maximum allowable, 500 feet at $2.00 per foot	1000.00	
Amount to be disallowed, 74 feet at $2.00 per foot		$148.00
Total amount to be disallowed		$168.00

Reinstate the amount of $500.00 which was withheld from reimbursement to the Operator in processing Form MF-104 for the period from June 23, 1958 through September 30, 1958.

Withhold an amount of $200.00 from reimbursement to the Operator in processing the current voucher, pending resolution of matters prerequisite to closing the account. The contract work has been completed.

Reconciliation With Amount Reported by the Operator on Form MF-104 for the period September 30, 1958, through February 13, 1959

Amount reported on Form MF-104 for the period from September 30, 1958, through February 13, 1959		$5245.87
Amount to be disallowed		168.00
Acceptable cost for the period		$5077.87
Government participation at 75 percent		$3808.40
Amount to be reinstated	$500.00	
Amount to be withheld	200.00	
Net Reinstatement		300.00
Balance due the Operator		$4108.40

Remarks:

Date of Report---------- March 6, 1959
Date Received in Field Office---------- April 13, 1959
Date Received in Region Office---------- April 23, 1959

Original signed by
E. N. HARSHMAN
E. N. Harshman

Enclosures

JBC:hsh

cc: Chmn. Op. Comm. (2)
Balser, GMK/NPC
NF-104 file, Reg. III
Harshman } w/copy Engr's Report
Cooper }
Charon

OME
DEPARTMENT OF THE INTERIOR

APR 23 1959
REGION III
DENVER, COLORADO

April 22, 1959

Memorandum

To: Executive Officer, OME Field Team, Region III

From: Carl Belser

Subject: Docket No. DMEA 4328 (Uranium) Contract Idm-81148, B. A. C. Uranium Company, Lightning group, Fremont County, Colorado

The subject operation was visited March 5, 1959, at which time no one had been up the mine road since about February 14, 1959. All the holes had been completed but the core boxes containing the core of the last three holes were there and could be checked. The holes follow:

Hole	BX Core	AX Core	Core Boxes	Radiometric From	To	Dist.	eU_3O_8	Cemented Length	Probed Length
~~7~~	~~130.0~~	~~0~~	~~14~~	~~No measurable radioactivity~~				~~11.0~~	~~138.0~~
11	210.0	0	18	126.5'	130.0'	3.5'	0.14		
				138.0'	140.0'	2.0'	0.12	35.8	209.3
				152.5'	155.0'	3.5'	0.12		
				158.5'	160.5	2.5'	0.12		
12	180.0	21.0	16	129.5'	132.0'	3.0'	0.11	171.0	200.4
13	189.0	21.0	16	No measurable radioactivity				95.0	199.0
	570.0	42.0	50					301.6	608.7
Paid before	1412.5	17.0	136					273.0	1398.0
	1,982.5	59.0	186					574.6	2,006.7

Because of the overdrilling hole 7 in its entirety is disallowed. A total of 136 core boxes were paid for on the first 184's. Only 24 additional core boxes are necessary to reach the maximum of 160 permitted by the contract. The total length of cementing and redrilling is 574.0 feet or 74 feet more than is permitted by the contract.

Allowable costs are:

570 ft. BX core drilling at $7.00/ft.	$3,990.00
42 ft. AX core drilling at $6.50/ft.	273.00
608.7 ft. of probing at $0.10/ft.	60.87

(cont.)

227.0 ft. of cementing and redrilling at $2.00/ft.	$454.00
24 core boxes at $1.25/each	30.00
½ month supervision at $600.00/mo.	150.00
24 chemical analyses at $5.00/each	120.00
	$5,017.87

Payment of 75 percent of the above amount or $3,808.40 is recommended.

Carl Belser
Carl Belser
Mining Engineer

CB/mr
cc: 6
I&m-E1148
ckren

MAY 4 1959
O.M.E.

DRILLING PROGRESS NARRATIVE REPORT
DOCKET NO. DMEA 4328
CONTRACT NO. Idm-E1148
LIGHTNING CLAIMS
D. A. C. URANIUM COMPANY
FREMONT COUNTY, COLORADO
March 9, 1959

Work under Contract Idm-E1148 proceeded uninterrupted during the reporting period with the exception of a recess in drilling from October 16 to December 15, 1958. Because of the recess Hole No. 11, started on September 26, 1958, was not completed until December 16, 1958. All drilling, sampling, probing and assaying under the Contract was completed by February 13, 1959.

The recess noted in the above paragraph necessitated an extension in the time for completion of the contract work. An extension was requested on December 11, 1958 and was granted by Amendment No. 1 to the Contract dated December 23, 1958 which allowed completion by February 15, 1959.

In addition to the new drilling completed during the reporting period, Hole No. 7 was reopened and cased for probing. This hole was probed to 128.0 feet.

A tabulated summary of the data on holes completed during the reporting period is presented below. Detailed logs of the cores and graphic sections of the holes are attached as Appendix I.

SUMMARY OF DRILLING

September 30, 1958 to February 13, 1959

Hole No.	T.D. Feet	Date Started	Date Finished	Length Cemented Feet	BX Size Feet	AX Size Feet	Length Probed Feet
11	210.0	Sept 26, 1958	Dec 16, 1958	35.0	210.0	-0-	209.3
12	201.0	Dec 21, 1958	Jan 19, 1959	171.0	180.0	21.0	200.4
13	201.0	Jan 23, 1959	Feb 13, 1959	95.0	180.0	21.0	199.0
Totals	612.0			301.0	570.0	42.0	608.7

The assumption that the south end of the mineralized zone is the most highly shattered is borne out by the difficulty encountered in drilling the last three holes and the caving of Hole No. 7. The drillers found it necessary to cement and redrill a total of 301.0 feet in the three holes drilled during the reporting period as contrasted to only 285.0 feet in the 10 holes reported formerly. Further, the bad ground required the reduction to AX in short sections of Hole Nos. 12 and 13.

The core recovery in Hole Nos. 11 and 12 was excellent but the logging of the core in Hole No. 13 showed that three sections of core were lost. Between 118.5 feet and 123.5 feet (5.0 feet) no core was recovered; between 133.5 feet and 138.5 feet (5.0 feet) no core was recovered and between 143.5 feet and 175.0 feet (31.5 feet) no core was recovered. It is estimated that the core recovery in the latter hole was only approximately 65% while in Hole Nos. 11 and 12 the core recovery exceeded 80%. Sludge samples were recovered at 5 foot intervals over longer sections of the holes than required by the Contract.

Hole Nos. 11, 12 and 13 as well as Hole No. 7, reopened during the reporting period, were radiometrically probed with a reel and probe attachment for a Babble Model 610 geiger counter. The results are summarized in the following table and the logs are detailed in Appendix II.

SUMMARY OF RADIOMETRIC PROBING

Hole No.	Zone of Radioactivity	Thickness Feet	Estimated Grade % eU3O8
7	0 thru 128.0	No measurable radioactivity	
11	127.0 thru 130.0	3.5	0.14
	138.5 thru 140.0	2.0	0.12
	152.5 thru 155.5	3.5	0.12
	158.5 thru 160.5	2.5	0.12
12	129.0 thru 132.0	3.5	0.11
13	0 thru 199.0	No measurable radioactivity	

It is apparent from the results of probing of Hole Nos. 7 and 13 that the south end of the fracture zone being explored is barren of radioactive minerals. Hole No. 11 shows various zones of radioactivity but none is in a favorable lithologic zone for uranium deposition. The radioactivity encountered in Hole No. 12 and Hole No. 6 when plotted on a section drawn between the two holes and parallel to them, if related, indicates a structure dipping approximately 39° to the east. This dip is much flatter than any mapped along the main shear zone so the mineralization in the holes may not be related. The irregularity of results obtained in probing makes it difficult to project the various radioactive zones even between adjacent holes.

The samples reported in Appendix II were taken in part on the basis of the radioactivity encountered in probing and in part on the basis of the rock character noted in the cores. In many instances, the section of core showing good radioactivity was hard, unfractured granitic rock or pegmatite. This, coupled with the very low uranium values found by assay, indicates that the radioactivity encountered in most of the holes is due to Thorium or rare earths. These elements are found in the Coaldale-Cotopaxi area in near-commercial quantities.

In summary, the work accomplished during the reporting period bears out the evidence of discontinuity of the radioactive zones noted in the narrative report of the preceeding period and the assays strongly indicate that the radioactivity encountered is, for the most part, Thorium and rare earths. The latter indicates that the mining of the fracture zone for uranium would not be feasible.

EXTRA COPY O. M. E. RECEIVED APR 30 1959		
DATE	INITIALS	CODE

[illegible] New Customhouse
Denver 2, Colorado
April 27, 1959

Mr. A. M. Brunsdale, President
D. A. C. Uranium Company
1616 Hunt Building
Dallas 1, Texas

Re: Docket No. [illegible] (Uranium)
Contract [illegible]
D. A. C. Uranium Company
(Lightning group)
Fremont County, Colorado

Dear Mr. Brunsdale:

Form RF-104, Operator's Monthly Report and Voucher for the period from October 30, 1958 through February 13, 1959, has been reviewed and is being processed for payment. The following deductions and reinstatement have been made.

Disallowance

Under Exhibit "A", the contract provides for a maximum of 500 feet of cementing and redrilling, and a maximum of 160 open holes. The maximum allowable units for the two items have been exceeded, therefore the reported costs for the excess units are disallowed.

Accounts Reinstated and Withheld

The amount of $900.00 which was withheld from reimbursement to D. A. C. Uranium Company in processing the voucher for the period from June 23, 1958, through September 30, 1958, is reinstated. An amount of $800.00 is withheld from reimbursement to D. A. C. Uranium Company in processing the current voucher, pending resolution of matters prerequisite to closing the account, which include the following:

1. Rendering to the Government by you of a final engineering and geologic report, in quintuplicate, as required under Article 7(a) of the contract form.

2. Release to this office of a Certificate and Report of Audit, or Report of Review of reported project costs, by the Contract Administration and Audit Division, GAO.

You will be further advised of the details of the deductions and reinstatement by means of an Administrative Audit Difference Statement, which will be forwarded to you by the Finance Office, Region III.

Very truly yours,

Original signed by
E. N. HARSHMAN

E. N. Harshman
Acting Executive Officer,
OME Field Team, Region III

cc: Mr. E. T. Thurber, Jr.
P. O. Box 935
Canon City, Colorado

JDC:hmh

cc: Chmn. Op. Comm. (2)
Harshman
Belser, OME/DFC
Corres. file, Reg. III
Cooper
Chron

Form MF-104 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED NOV 24 1958 D.M.E.

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of 6/23/58-9/30/58, 195..... Docket No. DMEA 4328 Contract No. Idm-E1148
Operator's Name D. A. C. Uranium Company Inc. Minerals Uranium
Address P. O. Box 935, Canon City, Colorado
Contract Amount, $ 17,939.00 Government Participation: 75% Amount, $ 13,454.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Contracts:						
Drilling	10,723.05	None	10,723.05			
Bulldozing	288.00	None	288.00			
Probing	145.90	None	145.90			
Drifting						
Cementing & Redrilling	568.00	None	568.00			
(2) Labor and Supervision:						
Labor						
Supervision	1,350.00	None	1,350.00			
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
Core Boxes	187.50	None	187.50			
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	13,262.45	None	13,262.45	12296.35		12296.35

I certify that the above bill is correct and just and that payment therefor has not been received.

Date Oct. 14, 1958 Payee D. A. C. Uranium Company

Per [signature] Title Project Manager

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

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

(Instructions on reverse) * $500.00 Withheld

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

* $ 8,722.26

Signature [signature]
(Authorized Certifying Officer)

Date 11-18-58 Vou. No. DMEA-58-62
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. DMA-E1148 in accordance with the terms of the contract.

Signature Carl Baker CE 9376 DI Title Mining Engineer Date 11/10/58

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: Checked for Engineering Allowability

Signature [illegible] Title Executive Officer Date NOV 13 1958

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RECEIVED NOV 13 1958 BUREAU OF MINES REGION III DENVER, COLO.

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

RECEIVED NOV 24 1958 O.M.E.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of 6/23/58-9/30 195 8 Docket No. DMEA 4328 Contract No. Idm-E1148

Operator's Name D. A. C. Uranium Company Minerals Uranium

Address P. O. Box 935, Canon City, Colorado

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Bulldozing	Hr.	288.00	24	288.00	24	12.00	24	12.00
Core-drilling HX	Ft.	10,610.00	1,543.5	10,610.00	1,543.5	7.00	(2060	7.00
" " AX	Ft.	113.05	17.0	113.05	17.0	6.65	(	6.65
Radiometric Prob.	Ft.	145.90	1,459.0	145.90	1,459.0	0.10	2060	0.10
Supervision	Mo.	1,350.00	2¼	1,350.00	2¼	600.00	2¼	600.00
Core Boxes	Ea.	187.50	150	187.50	150	1.25	160	1.25
Analyses	Ea.	None	None	None	None	None	65	5.00
Rodrill	Ft.	568.00	284.0	568.00	284.0	2.00	500	2.00
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Total Distributed Costs		13,262.45		13,262.45				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Total Costs		13,262.45		13,262.45				

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

Date Oct. 14, 1958 Operator D. A. C. Uranium Company

Per [signature] Title Project Manager

Remarks:

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

(Instructions on reverse)

(For Government use only) Carl Belsu

INSTRUCTIONS

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

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

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

RECEIVED
NOV 13 1958
AUDITS
BUREAU OF MINES
REGION III
DENVER
COLO

xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
OFFICE OF MINERALS EXPLORATION
224 New Customhouse
Denver 2, Colorado
November 13, 1958

Memorandum

To: T. A. Christensen

From: Executive Officer, GME Field Team, Region III

Subject: Docket No. DMEA 4386 (Uranium) Contract Ida-E1148, D. A. C. Uranium Company, (Lightning group) Fremont County, Colorado - Operator's Monthly Progress Report for the period 6/23/58 - 9/30/58

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

The work is being performed partly under independent subcontract, and partly at fixed unit costs. The drilling rates are as low or lower than the rates contained in the lowest and best bid submitted with the application. Bids were not submitted for bulldozer work; however, the bulldozing rates are in line with the standard rates prevailing in the project locality for the size and make of bulldozer used on the project. Under the circumstances, the rates for the work performed under independent subcontract are considered to be reasonable.

Except as otherwise indicated below, we consider that the Operator has complied with the intent of the contract, and the work for which payment is recommended is acceptable to the Government. Payment is recommended on the following basis contingent on your verification of the correctness of applicable rates and arithmetical accuracy of computations.

<u>Disallowance, Drilling</u>

The drilling contractor has charged for 130 feet in hole No. 3; however, the hole was actually drilled to only 128.5 feet. The reported cost for 1½ feet of BX core drilling is to be disallowed, as follows:

Disallow 1½ feet BX core drilling at ~~$3.50~~ 7.00 per foot------$ 10.50

Disallowance, Probing

The Operator has reported 1459 feet of probing at $0.10 per foot; however, only 1398 feet of probing has been accomplished in the acceptable holes. The reported cost for 61 feet of probing is to be disallowed, as follows:

Disallow, reported cost for 61 feet radiometric probing at $0.10 per foot	$ 6.10
Total amount to be disallowed	$ 16.60

Suspension, Reported Cost for Hole No. 7

Hole No. 7 has not as yet been probed radiometrically; therefore, the reported cost for this hole is suspended, subject to reinstatement after the hole is probed.

Suspend:

1. Core drilling, BX, 130 feet at $7.00 per foot	$910.00
2. Core boxes, 14 @ $1.25	17.50
3. Cementing and Redrilling	22.00
Total amount to be suspended	$949.50

Amount to be Withheld

The project is temporarily recessed; therefore, withhold an amount of $500.00 pending resumption of work under the contract. If work is not resumed, continue to withhold the amount of $500.00 pending resolution of matters prerequisite to closing the account.

Reconciliation With Amount Reported by the Operator on Form NF-104 for the period, 6/23/58 - 9/30/58

Amount reported by Operator		$13,262.45
Amount to be disallowed	$16.60	
Amount to be suspended	949.50	
Total deduction of reported costs		966.10
Acceptable cost for period		12,296.35
Government participation at 75 percent		9,222.26
Amount to be withheld		500.00
Balance due the Operator		$ 8,722.26

Note: The engineer's report indicates allowable costs in the amount of $12,501.35; however, due to arithmetical error of $198.00 in the drilling invoice for hole No. 2, and overcharge for 1½ feet of drilling in hole No. 3, the net allowable cost is only $12,296.35, as shown in this memorandum. On receipt of corrected billing, and supplemental voucher from the Operator, the additional costs will be acceptable to the Government.

Remarks:

Date of Report----------October 14, 1958
Date Received in Field Office----------November 7, 1958
Date Received in Region Office----------November 12, 1958

Original signed by
J. W. TOWNSEND
J. W. Townsend

Enclosures

JBC:hsh

cc: Chmn. Op. Comm. (2)
Belser, OME/DFC
MF-104 file, Reg. III
Hazelman)- w/copy of
Cooper) Engr's Report
Charon

RECEIVED

OME
DEPARTMENT OF THE INTERIOR

NOV 12 1958

REGION III
DENVER, COLORADO

Nov. 10, 1958

Memorandum

To: Executive Officer, GSE Field Team, Reg. III

From: Carl Belzer

Subject: Docket No. DMSA 4358 (Uranium) Contract 18s-41148,
D. A. C. Uranium Company, Lightning group, Fremont County, Colorado

The subject operation was visited by M. H. Salstory on 7/15/58 and 8/12/58 and by Carl Belzer on 9/2/58, 9/23/58 and 10/13/58. Hole No. 7 has not been probed.

Drilling conformed with the regulations in the contract. The Golden Drilling Company was the individual contractor and was using a Sullivan No. 12 drill.

Permission was obtained to finish the last 17.0 ft. of hole No. 6 AX size. All other drilling was BX. The following holes have been drilled:

Hole	Distance Cored	Core Boxes	Radiometric From	To	Dist.	eU$_3$O$_8$	Cemented Length	Probed Length
1	140.0	14	119.5	124.0	4.5	0.13	31.0	137.0
2	131.0	18	118.5	120.5	2.0	0.11	0.0	129.6
3	128.5	18	116.5	119.0	3.5	0.13	0.0	126.9
4	151.0	14	138.5	141.0	2.5	0.12	21.0	149.0
5	140.0	12	No radioactivity				25.0	128.9
6	140.5	14	105.5	109.5	4.5	0.11	60.0	138.0
8	199.5	15	172.0	174.0	2.0	0.14	20.0	193.5
9	200.0	15	67.0	68.5	1.5	0.055	66.0	196.4
10	200.0	16	195.5	197.0	1.0	0.03	30.0	198.7
	1,432.5	136					273.0	1,398.0

All core was badly broken.

Allowable costs for June-Oct. 1958 are:

1,413.5 ft. core drilling at $7/ft.	$9,894.50
17.0 ft. core drilling at $6.65/ft.	113.05
273.0 ft. of redrilling at $2/ft.	546.00
24 hrs. bulldozing at $12/hr.	288.00
136 core boxes at $1.25/ea.	170.00
1,398 ft. of probing at $0.10/ft.	139.80
Supervision 2½ months at $600/mo.	1,500.00
Total	$12,501.35

Payment is recommended for 75 percent of the above amount or $9,376.01.

Carl Belzer

D. A. C. URANIUM COMPANY
P. O. Box 935
Canon City, Colorado

November 1, 1958

OME
DEPARTMENT OF THE INTERIOR
NOV 6 - 1958
REGION III
DENVER, COLORADO

Engineer in Charge
Office of Minerals and Exploration
224 New Custom House
Denver, Colorado

Attention: Mr. Jim Townsend

SUBJECT: Transmittal of narrative report, Docket DMEA 4328, Contract Idm-E1148, D. A. C. Uranium Company.

Dear Sir:

Attached are the MF-104 and MF-104A forms for the subject DMEA drilling project along with the required documentation, narrative report and progress maps. The reports cover the period of June 23 through September 30, 1958 during which period Holes No. 1 through No. 10 were completed.

Any correspondence or inquiries regarding this report should be addressed to H. K. Thurber, Jr., Project Manager; P. O. Box 935; Canon City, Colorado. The office address is 331 North Fifth Street in Canon City and the telephone is 931-W. Payment on the attached vouchers should also be sent to the above Postoffice box.

If necessary, I will be glad to come to Denver to discuss any phases of the MF-104 forms or the remainder of the report with the officials in the Denver office.

Very truly yours,

H. K. Thurber, Jr.

H. K. Thurber, Jr.
Project Engineer

HKT/jfm
encl

DRILLING PROGRESS NARRATIVE REPORT
DOCKET NO. DMEA 4328
CONTRACT NO. Idm-E1148
LIGHTNING CLAIMS
D. A. C. URANIUM COMPANY
FREMONT COUNTY, COLORADO
October 28, 1958

The work under Contract No. Idm-E1148 on the Lightning claims in Fremont County, Colorado was begun by the D. A. C. Uranium Company on June 23, 1958 with the start of access roads and the beginning of the preparation of drill sites. The bulldozer work was done with a D-7 Catapillar bulldozer, operated by an independent contractor, and required twenty-seven hours operation for proper completion. The preparation of the drill sites was completed by July 1st.

The skid-mounted diamond drill of the Golden Drilling Company was moved on to the site of Hole No. 1 and set up on July 1st immediately upon completion of the drill sites. Actual drilling commenced on July 2nd and continued with no major delays to the end of the reporting period. The work during the period of July 2nd through July 29th was continued with one drill rig, a Longyear Jr. A Joy rig was brought in on July 30th and was set up on Hole No. 6. On August 25th, the second rig was moved out to another operation of the drilling contractor. The longyear rig was run on two shifts until August 29th when one of the drillers was moved to another project. Drilling continued uninterrupted with the single rig on a single shift basis until the end of the reporting period by which time Hole No. 10 had been completed and a total of 1560.5 feet had been drilled.

The tabulated summary of the drilling below indicates the dates of beginning and finishing of individual holes, the length of holes cemented and the size of core recovered. Also indicated are the total depth of the hole and the length radiometrically probed. The detailed logs of the holes are attached as Appendix 1.

SUMMARY OF DRILLING

July 2nd through September 25th, 1958

Hole No.	T.D. Feet	Date Started	Date Finished	Length Cemented	Size	Length Radiom. Probed
1	140.0	July 2, 1958	July 12, 1958	31.0	All BX	137.0
2	131.0	July 14, 1958	July 22, 1958	None	All BX	129.6
3	128.5	July 23, 1958	July 28, 1958	None	All BX	126.9
4	151.0	July 29, 1958	Aug. 7, 1958	21.0	All BX	149.0
5	140.0	Aug. 8, 1958	Aug. 16, 1958	25.0	All BX	128.9
6	140.5	Aug. 8, 1958	Aug. 19, 1958	60.0	(BX to 123.0) (AX 123-140.5)	138.0
7	130.0	Aug. 1, 1958	Aug. 7, 1958	11.0	All BX Blocked, see note	61.0
8	199.5	Aug. 20, 1958	Aug. 29, 1958	20.0	All BX	193.5
9	200.0	Aug. 31, 1958	Sept. 12, 1958	67.5	All BX	196.4
10	200.0	Sept. 13, 1958	Sept. 25, 1958	50.0	All BX	198.7
	1560.5			285.5		

Drilling in the moderate to badly fractured granite and pegmatites has proceeded better than expected. It will be noted from the above tabulation that 285 feet of hole had to be cemented and re-drilled but even in these zones acceptable core recovery was obtained. Only on Hole No. 6 was it found necessary to case the hole and reduce to AX size because of caving.

The core recovery for all of the drilling during the reporting period was estimated to average approximately 80%. In only one three-foot section of Hole No. 1 (66 feet-69 feet) was the core completely lost. This section, incidently, was not shown to be radioactive when probed.

Sludge was recovered in five-foot intervals over the lower sections of the holes as required by the contract. The methods of sludge recovery were good and the handling of the sludge samples was properly done.

Good core recovery and the relative freedom from trouble is attributed to the experience of the drillers and the care exercised in coring. The five-foot core barrels used were of Christensen manufacture, based upon the "Series M" design. The drilling contractor and his drillers are to be commended for the good work accomplished.

The radiometric probing of all holes was done with a Babbel Model 610 geiger counter on a standard reel and probe. This instrument is found to be reliable and was calibrated before and after the probing of each hole. The results of the radiometric probing are summarized in the following table and are detailed in Appendix II attached to this narrative report.

SUMMARY OF RADIOMETRIC PROBING

Hole No.	Zone of Radioactivity	Thickness	Estimated U_3O_8
1	121.0 thru 123.0	2.5'	0.20%
2	119.0 thru 120.0	1.5'	0.13%
3	117.0 thru 118.0	1.5'	0.19%
4	139.0 thru 140.5	2.0'	0.08%
5	.0 thru 128.9		No measurable radioactivity
6	106.5 thru 108.0	1.5'	0.18%
7	Blocked at 61', will be re-drilled to open		
8	172.0 thru 173.0	1.5'	0.20%
9	67.0 thru 68.0	1.5'	0.07%
10	195.5 thru 196.5	1.5'	0.03% max.

From Appendix II it will be noticed that the probe could be lowered to within a very short distance from the bottom of the hole. This was due to care in washing the hole at the end of the drilling and in carefully covering the hole after the rig was removed. On only one hole, Hole No. 7, had anything fallen into the hole subsequent to removing the drill. This hole was blocked at 61 feet and will be re-opened by re-drilling at the end of the project when the rig can be skidded back to the hole.

The summary of probing results shows an apparent mineralized zone in Holes No. 1, 2, and 3 in the upper row of holes. Holes No. 4 and 5 are either weak or show no measurable radioactivity but the radioactivity resumes in Hole No. 6. Hole No. 8, the counterpart of Hole No. 1 on the lower road, indicates that the zone picked up in Hole No. 1 may continue down dip. Holes No. 9 and 10, however, do not indicate the continuation of the mineralization down dip from Holes No. 2 and 3. Obviously, the central zone of the rows of holes is the leanest of the parts of the fractured zone penetrated by the holes. Holes No. 11, 12 and 13 may show a downward extention of the mineralization found in Hole No. 6. From an operational standpoint, it is doubtful that the radioactivity indicated in any of the holes would be worth mining. The results of the last three holes to be drilled may alter the picture.

A review of the geologic logs of the holes shows the existance of very irregular masses of the various granite facies. The fracture zones are likewise very discontinuous and irregular. Observation of the core shows that the surface alteration is apparently absent below a relatively few feet from the collar of the holes but some limonite staining does persist to depth in the fracture zones. Hematite staining and fracture filling was observed in a number of the holes at depth.

The salient feature which persists through Holes No. 2 through 7 of the upper row is a gouge zone which, while irregular, does continue at a fairly persistant depth through the holes. A cursory tabulation of the depth of the gouge zone and the depth at which radioactivity was found in the holes shows that the two are not related. Only in Hole No. 6 does the gouge zone and the radioactive zone coincide. A gouge zone does exist in the lower row of holes but sections through adjacent holes have not been completed to correlate this with the upper zone.

The Autunite found on the surface outcrop and in the existing workings is absent in the holes at the point they cut the fracture zones. A black mineral, unidentified, is the radioactive mineral in the holes. Results of chemical assays are not yet available to determine the relationship of the radioactivity to the chemical assays. Manganese mineralization was observed in fracture zones in some of the holes as indicated on the geologic logs but no sulphides were recognized in the cores. Some kaolinization of the granite was noted but is not believed to be as intense as that alteration observed on the surface.

The geologic logs of the holes are attached to this narrative report as Appendix I.

In summary, a review of the drilling results to the end of the reporting period show that the mineralization found on the surface in Autunite form has changed to an unaltered black mineral at depth. The alteration has taken place in the top 75 feet of the fracture zone. The radiometric probing of the holes indicates that, in all probability, the strongest mineralization is on the north end of the project area. Hole No. 1 and Hole No. 8 show a persistence of the mineralization down dip and, it is possible, that a rake of the mineralized zone toward the north exists from the surface outcrop along the fracture zone. As noted above, the fracture

zones are not persistent with the exception of the gouge zone found through the top row of holes. The gouge zone apparently is not related to the uranium mineralization and may represent a movement at a different time from the period of uranium mineralization.

From the results of the drilling during the reporting period, it is not believed that it would be economically feasible to undertake a mining operation on the uranium mineralization now known to exist within the area drilled.

W K Wheeler, Jr.
Project Mngr.

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

NOV 12 1959

Mr. A. M. Brannaka, President
D. A. C. Uranium Company
4437 Cole Avenue
Dallas 5, Texas

Re: Docket No. [illegible] (Amended)
D. A. C. Uranium Company
Lightning Group
Fremont County, Colorado
Contract No. [illegible]

Dear Mr. Brannaka:

Reference is made to your completed exploration contract with the Government.

We sincerely regret that the work performed did not result in a certification of discovery or development under the provisions of the contract. In the absence of such certification, the Government retains no claim or lien against the property subject to the contract or any future production therefrom. We, therefore, are closing our books and records on this project. Your attention, however, is called to the provisions of the contract which require the operator to keep and preserve certain records for the period indicated.

We appreciate your interest and participation in the USEA exploration program.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

VMMurphy/gla 11-10-59
cc to: Director's Reading File
Operating Committee
Contract Adm. & Audit Div.
USEA Field Team, Region III (2)
Victor C. Herlacher, 319 West 3rd St., Pueblo, Colorado
Robert Benton, Ontario, Colorado
Richard Brady, Coaldale, Colorado
Docket
Chron

EXTRA COPY
C. M. E.
RECEIVED MAY 7 1959

DATE	INITIALS	CODE
		800

25th New Customhouse
Denver 2, Colorado
May 5, 1959

Memorandum

To: T. A. Christensen

From: Executive Officer, OME Field Team, Region III

Subject: Docket No. RMA 4328 (Uranium) Contract No. 14s-[illegible], D.A.C. Uranium Company, (Lightning group) Fremont County, Colorado

Enclosed is a change of address card from Mr. A. M. Brennecke, President, D. A.C. Uranium Company. Please send all future payments and related correspondence to the new address, as follows:

D. A. C. Uranium Company
[illegible] Cole Avenue
Dallas 5, Texas.

Original signed by
J. W. TOWNSEND
J. W. Townsend

JWC:lmh

cc: Chem. Op. Comm. (2)
Hardman
Balmer, OME/NFC
Contract file, Reg. III
Corres. file, Reg. III
Cooper
Shrum

} w/copy of Change of Address Card

EXTRA COPY
O. M. E.
RECEIVED MAY 7 1959

DATE	INITIALS	CODE

FRANK W. CHAPPELL
AND
A. M. BRENNEKE - President
CONSULTING ENGINEERS
P.A.C. Uranium Co.
Docket # DMEA
ANNOUNCE A CHANGE OF OFFICE ADDRESS 4328
FROM 1016 BURT BUILDING TO (Uranium)
Contract Item
To → 4427 COLE AVENUE E1148
DALLAS 5, TEXAS

TELEPHONE - - LAKESIDE 6-7497

OME
DEPARTMENT OF THE INTERIOR
MAY 4 - 1959
REGION III
DENVER, COLORADO

OFFICIAL FILE COPY
O. M.
RECEIVED JAN 15 1959

DATE	INITIALS	CODE

Audit copy

EXPLORATION PROJECT CONTRACT
D. A. C. URANIUM COMPANY
DOCKET NO. DMEA 4328
CONTRACT NO. Idm-E1148

AMENDMENT NO. 1

It is agreed this 23rd day of December, 1958, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, (successor agency to the Defense Minerals Exploration Administration), hereinafter called the "Government," and D. A. C. Uranium Company, hereinafter called the "Operator," parties to that certain Exploration Project Contract No. Idm-E1148, Docket No. DMEA 4328, dated May 23, 1958, hereinafter called the "Contract," that:

1. (a) Work under the contract shall be suspended during the period beginning October 16, 1958, and ending not later than December 15, 1958.

   (b) No costs incurred by the Operator during the period of suspension shall be allowable for contribution by the Government, and the Government shall not contribute to any costs of rehabilitation or repair which, in its opinion, would not have occurred if there had been no suspension of work.

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

2. The date fixed in Article 3, on or before which the Operator shall have completed the work, is extended from December 31, 1958, to February 15, 1959.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate amount which the Government may be required to contribute, the fixed unit cost of any item of work, nor any item of allowable cost which is expressly designated "maximum."

Executed in quintuplicate the day and year first above written.

D. A. C. URANIUM COMPANY

By A. W. Buennecke
President

UNITED STATES OF AMERICA

By F. M. Hyssman
Acting Executive Officer, OME
Field Team, Region III

224 New Customhouse
Denver 2, Colorado

January 9, 1959

EXTRA COPY
O. M. E.
RECEIVED JAN 15 1959
DATE
800

Memorandum

To: Chairman, Operating Committee, OME

From: Executive Officer, OME Field Team, Region III

Subject: Docket No. DMEA 4388 (Uranium) Contract No. Idm-E1148
D. A. C. Uranium Company (Lightning group)
Fremont County, Colorado

Enclosed are the Government's and Audit copies of Amendment No. 1 to the subject contract which has been executed to provide for recess of operations from October 16, 1958 to December 15, 1958 and to extend the contract completion date from December 31, 1958 to February 15, 1959. The Amendment was prepared by this office in accordance with the special notice contained in Minutes, Operating Committee No. 11 of October 24, 1958.

Also enclosed are two copies of the Operator's request, dated December 11, 1958, and three copies of a joint memorandum dated December 19, 1958 from F. B. Moore, Geologist, Geological Survey, and Carl Belser, Mining Engineer, Bureau of Mines, pertaining to the matter.

Copies of the Amendment have been distributed to the Operator, the Finance Office, and others concerned in Region III.

Original signed by
E. N. HARSHMAN

for/ J. W. Townsend

Enclosure

cc: Finance Office, Reg. III) w/copy Amend.
Harshman) w/copy Amend. & Joint Memo.
Belser)
Corres. File) w/copy Amend., joint memo and Oper. let.
Cooper
Chron.

IN REPLY REFER TO:

OME

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Office of Minerals Exploration
Denver Federal Center
Denver, Colorado

DEPARTMENT OF THE INTERIOR
DEC 22 1958
REGION III
DENVER, COLORADO

December 19, 1958

RECEIVED JAN 15 1959

DATE	INITIALS	CODE

Memorandum

To: Executive Officer, OME Field Team, Region III
Through: E. N. Harshman

From: F. B. Moore
Carl Beiser

Subject: Docket DMEA 4328 (Uranium), D.A.C. Uranium Company (Lightning group), Fremont County, Colorado

The completion date of the subject contract is December 31, 1958. In a letter of December 11, 1958, the operator requests extension of the completion date to February 15, 1959.

At the date of the request, 9 of the 13 approved holes had been completed and probed. Of the 9 holes, 4 showed a significant uranium content of near 0.20 percent U_3O_8 or better over a 1-1/2 to 2-foot thickness. One additional hole (No. 7) was drilled but caved before probing; it probably can be reopened by drilling and probed. A second additional hole (No. 11) lacks 15-20 feet of reaching the estimated target depth. Holes No. 12 and 13 have not been started.

The two holes not started are adjacent to hole No. 6 which contained 0.18 percent U_3O_8 over a thickness of 1-1/2 feet. Hole No. 7 also is adjacent to hole No. 6. Hole No. 11, nearly completed, is in a more poorly mineralized area.

Drilling operations at the property were suspended without authorization from September 30 to December 15 because the drilling

contractor stopped drilling owing to failure of the company to pay since the start of the contract. The examining team does not believe drilling is underway at this time, and it is doubtful if the company or the driller will wish to reactivate exploration unless the project can be completed.

Because of the fairly successful results of exploration to date, it is to the best interest of the Government to complete the project. The possibility of finding a minable ore body still exists. Recommendation to extend the completion date of the contract to February 15, 1959, is therefore made.

F. B. Moore

F. B. Moore, Geologist

F. B. Moore for

Carl Delmar, Mining Engineer

FBMoore:arh

DAC Uranium Company
P. O. Box 935
Canon City, Colorado

December 11, 1958

OME
DEPARTMENT OF THE INTERIOR
DEC 12 1958
REGION III
DENVER COLORADO

EXTRA COPY
O. M. E.
RECEIVED JAN 15 1959
DATE | INITIALS | CODE

Executive Officer, OME
Field Team, Region III
224 New Custom House
Denver 2, Colorado

Dear Sir:

Work under Contract Ida-1148, Docket No. DMSA 338 on the Lightning group of claims in Fremont County, Colorado was temporarily suspended during the past weeks but will be resumed on December 15, 1958. Reference to the contract shows that the expiration date of the contract was December 31, 1958. Work remaining to be done is the completion of Hole No. 11, a matter of drilling approximately fifteen feet to the target depth, the drilling of Holes No. 12 and 13 to depths of approximately two hundred feet and the probing of the holes.

A discussion with the drilling contractor leads to the conclusion that, in all probability, the work cannot be completed by the expiration date of the contract. It is highly desirable to complete the holes to the projected depth in view of the fact that the south end of the structure, which would be penetrated by the holes, is believed to be the most highly mineralized judging from the intense mineralization found on the surface. The fact that the Christmas and New Year's holidays occur during the latter half of December will probably shorten the actual working time.

In view of the above facts and the belief that the remaining holes should be completed to give a complete geologic picture, it is hereby requested that an extension in the completion date of the contract be granted to allow completion of the drilling by not later than February 15, 1959. It is believed that such an extension would allow sufficient time to complete the holes and the probing of the holes.

Very truly yours,

H. K. Thurber, Jr.

H. K. Thurber, Jr., Project Mgr.
DAC Uranium Company

HKT:jp

COPY

xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

OFFICE OF MINERALS EXPLORATION
224 New Customhouse
Denver 2, Colorado
November 19, 1958

EXTRA COPY O. M. E. RECEIVED NOV 21 1958		
DATE	INITIALS	CODE
		800

Memorandum

To: T. A. Christensen

From: Executive Officer, OME Field Team, Region III

Subject: Docket No. DMSA-4328 (Uranium), Contract No. IAm-[illegible]
D.A.S. Uranium Company, (Lightning Group), Fremont County, Colorado

Enclosed is one copy each of two letters from the subject Operator dated November 11, 1958 and November 18, 1958, which are self-explanatory.

Until further notice, please send all checks to the address given in the last paragraph of the Operator's letter of November 18, 1958.

Original signed by
J. W. TOWNSEND

J. W. Townsend

Enclosures

JDC/ff
cc: Chmn. Op. Comm. (2))
Harshman)w/copy Operator's letters
Belser, OME/DFC) of 11/11 and 11/18/1958.
Corres. File, Reg. III)
Cooper
Chron.

A. M. BRENNEKE
CONSULTING ENGINEER
BURT BUILDING
DALLAS, TEXAS

OME
DEPARTMENT OF THE INTERIOR
NOV 13 1958
REGION III
DENVER COLORADO

November 11, 1958

EXTRA COPY
D. M. E.
RECEIVED NOV 21 1958
DATE | INITIALS | COPY

Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

Re: Docket No.DMEA 4328 (Uranium)
Contract IDM-E1148
D.A.C. Uranium Company
(Lightning Group)
Fremont County, Colorado

Gentlemen:

Please consider this as your authority to mail checks due the D.A.C.Uranium Company for your proportionate part of the cost of the exploratory work being done in Fremont County, Colorado under DMEA Docket No.4328, to Mr. H. K. Thurber at Canon City, Colorado.

Mr. Thurber is authorized to accept and to endorse such checks in the name of this company.

Thanking you, we are,

Very truly yours,
D.A.C.URANIUM COMPANY,
By: A. M. Brenneke
A. M. Brenneke, President

AMB:lmd

Cristenson

DEPARTMENT OF THE INTERIOR
NOV 19 1958
REGION III
DENVER, COLORADO

D.A.C. URANIUM CO.

1307 Tower Petroleum Bldg. ○ Dallas, Texas ○ Telephone RAndolph 2645

November 18, 1958

EXTRA COPY
O. M. E.
RECEIVED NOV 21 1958

DATE	INITIALS	CODE

Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

Re: Docket No.DMEA 4328 (Uranium)
Contract IDM-E1148
D.A.C. Uranium Company
(Lightning Group)
Fremont County, Colorado

Gentlemen:

Reference is made to my letter of November 11, authorizing you to forward checks for your participation in the above captioned contract to Mr. H. K. Thurber, Canon City, Colorado.

I am today informed by our attorney that such letter is not in accordance with our By-Laws, as only the Board of Directors has authority to determine who may and who may not receive checks for the D.A.C. Uranium Company.

For this reason, it is requested that you destroy and cancel my letter of November 11, and forward checks to the D. A. C. Uranium Company to Mr. A. E. W. Barrett, Treasurer, 1307 Tower Petroleum Building, Dallas, Texas.

Thanking you, we are,

Very truly yours,

D.A.C. URANIUM COMPANY,

By: A. M. Brenneke
A. M. Brenneke, President

(5)

AMB:lmd

DMEA
DEPARTMENT OF THE INTERIOR
JUL 9 - 1958
REGION III
DENVER, COLORADO

D. A. C. URANIUM CO.

1307 Tower Pettroleum Bldg., Dallas, Texas - RI 2-2645

July 7, 1958

Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

Re: Docket No.DMEA 4328
Contract IDM-E1148
D.A.C.Uranium Company
(Lightning Group)
Fremont County, Colo.

Gentlemen:

Reference is made to our letter dated June 25, advising you that work was commenced under the above captioned contract on June 23, and informing you that Mr. H. K. Thurber, Jr., was to handle the operation.

Mr. Thurber's mailing address remains as P.O.Box 935, Canyon City, Colorado but his telephone number has been changed to 1011 NM.

Mr. Thurber is project engineer and is authorized to sign all reports required of the D.A.C.Uranium Company.

Very truly yours,

D.A.C.Uranium Co.

By:
A.M.Brennecke,President

800

AMB:lmd
cc: Mr. H.K.Thurber

MME Form 14
Sept. 1958

Contract No. Idm-E) 1148
~~14-23~~)

Docket No. DMEA) 4328
MME)

Date of Action ~~June 17, 1959~~
Terminated Contract

DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OBLIGATION DOCUMENT

To: Chief, Accounts Section, Finance Branch, Bureau of Mines

From: Director, Division of Operations Control and Statistics

Please enter the amounts shown below on the accounts of the Office of Minerals Exploration.

Name and Address of Contractor: D. A. C. Uranium Company
1016 Burt Bldg.,
Dallas, Texas

Date of Contract	Region	State	Commodity
May 23, 1958	III	Colorado	Uranium
	Reserve		Obligation
Prior Amount	0		$13,454.00
Increase	0		0
Decrease	~~0~~		~~423.34~~
Revised Amount	0		13,030.66

Remarks:

cc: 800
210

43244

DMEA Form 14

Contract No. Idm-E 1148

Docket No. 4328

Executed Contract

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

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

Date of Contract	Region	State	Commodity
May 23, 1958	III	Colorado	Uranium

Name and Address of Operator:

D. A. C. Uranium Company
1016 Burt Bldg.,
Dallas, Texas

	Reserve	Obligation
Prior Amount	13,454.00	0
Increase	0	13,454.00
Decrease	13,454.00	0
Revised Amount	0	13,454.00

Remarks:

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

(Title)

Date delivered to Bureau of Mines, Washington 6/12/58

22845

Audit Copy

DATE	INITIALS	CODE

MF-200
(Revised June 1954)

Docket No. DMEA 4320

Commodity Uranium

Contract No. Idm-E 1148

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

EXPLORATION PROJECT CONTRACT[1]

It is agreed this MAY 23 1958 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] D.A.C. Uranium Company, a Delaware corporation

whose mailing address is 1016 Burk Bldg. Dallas, Texas

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 maps Figures 2, 3, and 4

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

(b) The Operator represents and undertakes that:

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

(2) The Operator's right, title, or interest (whether as owner, lessee, or otherwise) is subject only to the following claims, liens, or encumbrances: See Annex I

(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: See Annex I

(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 June 23, 1958 shall commence the work, and on or before December 31, 1958 (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."

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 $17,939.00. The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $13,454.00: *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.

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~~. 8. 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) In the last sentence of Article 6(c), the figure "8" is substituted for the figure "9."

(b) 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.

16—70617-1

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

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

D.A.C. Uranium Company
(Operator)

By A. M. Brenneke

Title President

I, J. O. Norton, certify that I am the secretary of the corporation named as Operator herein; that A. M. Brenneke who signed this contract on behalf of the Operator, was then President 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

EXPLORATION PROJECT CONTRACT
D. A. C. URANIUM COMPANY
DOCKET NO. DMRA-4328

ANNEX I

The land referred to in Article 2 of the Contract consists of eight (8) unpatented lode mining claims. The notices of location of the claims are recorded in the Office of the County Recorder, Fremont County, Colorado, as follows:

Claims	Recorded Date	Book	Pages
Lightning No. 1	8/16/55	385	429-430
Lightning No. 2	"	"	431-432
Lightning No. 3	"	"	433-434
Lightning No. 4	"	"	435-436
Lightning No. 5	"	"	437-438
Lightning No. 6	"	"	439-440
Lightning No. 7	"	"	441-442
Lightning No. 8	"	358	385-386

These claims are situate in secs. 11, 14, and 15, T. 47 N., R. 11 E., N.M.P.M., Fremont County, Colorado, as shown on the map entitled "Figure 2. Claim Map of the Lightning Group" attached hereto.

The Operator has the right to possession of the land under a Mining Lease Agreement, dated March 5, 1957, among Robert Benton and Richard Brady, as "Owners"; Victor Merlacher, as "Lessee" with a five percent royalty interest; and the D.A.C. Uranium Company, as "Sublessee".

The Consents to Lien and Subordination Agreements of Victor C. Merlacher, Robert Benton, and Richard Brady are attached hereto.

MF-205
(Combines and supercedes MF-2[illegible] MF-203)
June 1956

For Government's Use Only
EXPLO[illegible]N PROJECT CONTRACT
Operator D.A.C. Uranium Company
Docket No. DMEA-4328
Contract No. Idm-E 1148
Contract Date 31 OCT 1957

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of Fremont, State of Colorado, described as follows: 2/ Unpatented lode mining claims of record in the County Clerk and Recorder's office of Fremont County, Canyon City, Colorado

Lightning No. 1	Book 355	Page 429
Lightning No. 2	Book 355	Page 431
Lightning No. 3	Book 355	Page 433
Lightning No. 4	Book 355	Page 435
Lightning No. 5	Book 355	Page 437
Lightning No. 6	Book 355	Page 439
Lightning No. 7	Book 355	Page 441
Lightning No. 8	Book 358	Page 385

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.)

Sub-lease to D.A.C. Uranium Company

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 31 OCT 1957 day of _____, 195__.

Victor C. Herlacher [Seal] 819 W 3rd [Address]
Pueblo, Colo
Victor C. Herlacher

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

I, J. O. Morton certify that I am the _____ (Secretary, etc.) of the corporation named herein; that _____ who signed this agreement was then _____ (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.

_____ [Corporate Seal]

EXTRA COPY
RECEIVED MAY 6 1957
D M E A
DATE
INITIALS
CODE

MF-205
(Combines and supercedes MF-20[illegible] and MF-203)
June 1956

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator D.A.C. Uranium Company
Docket No. DMEA-[illegible]
Contract No. Idm-E
Contract Date

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of Fremont, State of Colorado, described as follows: 2/ Unpatented lode mining claims of record in the County Clerk and Recorder's office in Fremont County, Canon City, Colorado

Lightning No. 1	Book 355	Page 429	
Lightning No. 2	Book 355	Page 431	
Lightning No. 3	Book 355	Page 433	
Lightning No. 4	Book 355	Page 435	
Lightning No. 5	Book 355	Page 437	
Lightning No. 6	Book 355	Page 439	
Lightning No. 7	Book 355	Page 441	Lightning No. 8 Book 358 Page 385

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.)

Sub-lease to D.A.C. Uranium Company which existed at time of application.

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 13th day of May, 1958.

Robert Benton [Seal] Cotopaxi, Colorado [Address]
Robert Benton

[Seal] [Address]

Richard Brady [Seal] Conejolo, Colorado [Address]
Richard Brady

[Seal] [Address]

[Seal] [Address]

[Seal] [Address]

I, T. O. Morton certify that I am the _____ (Secretary, etc.) of the corporation named herein; that _____ who signed this agreement was then _____ (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.

[Corporate Seal]

EXPLORATION PROJECT CONTRACT
D. A. C. URANIUM COMPANY
DOCKET NO. DMEA-4328

EXHIBIT "A"

Description of the Work

General Provisions

The object of this project is to explore for uranium ore deposits in a fault zone by means of core drilling.

Core showing significant mineralization shall be split, and one-half of the split core used for assay purposes. The remainder of the split shall be stored with the nonmineralized core in boxes properly labeled as to hole number and with markers placed in the core sections to indicate the depth represented.

Sludge samples shall be taken over intervals of not more than 5 feet through sections of a hole which may be mineralized. All sludge and core shall be tested radiometrically.

In the event no core is recovered from a section of a hole where mineralization is suspected, then one-half of the sludge sample from this section shall be used for assay purposes in lieu of the core sample, if the sludge sample shows significant mineralization. The remainder of it shall be stored in a suitable container properly identified for Government inspection and possible use. The portions of the samples selected for assaying shall be chemically analyzed for their U_3O_8 content.

With prior approval by the Government, the Operator may dispose of the stored core and the sludge samples.

All holes shall be probed radiometrically, and core recovered from the drill holes shall be logged geologically. Records of such probing and logging, together with the assay certificates of the core and sludge samples, shall be submitted with the Operator's monthly progress report. The report shall also include a map or sketch showing the location of the holes completed during the reporting period.

The size of core shall be BX, except that AX size is acceptable where, in the opinion of the Government, maintenance of BX size is impracticable to complete the hole. Drill holes shall be cemented and drilled out as necessary. The Government will not contribute to the cost of an incompleted hole, nor to one drilled closer than 100 feet to a boundary of the land described in Annex I.

The Operator shall provide such supervision and technical services as may be required to complete the project in a satisfactory manner.

Preparation of access roads and drill sites shall be performed with a D-7 Caterpillar dozer or an equivalent unit of any other make.

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

The work will consist of preparing access roads and drill sites, and drilling holes Nos. 1 through 13 at the approximate locations shown on the map entitled, "Figure 3. - Map Showing Locations of Recommended Diamond Drill Holes, . . .," attached hereto.

The holes shall be drilled approximately on a bearing of S. 60° W. and inclination of -55°. The holes shall be drilled along two lines about 70 feet apart, the holes on each line being spaced at intervals of approximately 75 feet. It is estimated that holes Nos. 1 through 7 will penetrate through the fault zone at a depth of about 75 feet down dip, and that holes Nos. 8 through 13 will penetrate such zone at a depth of about 150 feet down dip. The drill holes shall be considered completed only when they have passed through the intensely kaolinized fault zone and into relatively unaltered rock. The approximate locations of the drill holes with reference to the fault zone are shown on map entitled, "Figure 4. Vertical Section AA' (Fig. 3) Showing Relative Positions of Fault Zone and Lines of Drill Holes, . . .," attached hereto.

Not in excess of 24 hours of bulldozing, 2,060 feet of core drilling, 500 feet of cementing and drilling out, 2,060 feet of radiometric probing, supervision and technical services for 2½ months or equivalent time if less than 8 hour shifts are worked, 160 core boxes, and chemical analyses of 65 samples will be allowed under this Contract.

Estimated Costs of the Project

Actual Costs

Category (1) Independent Contracts

Bulldozing drill sites and access roads, 24 hours @ $12.00/hr.	$288.00
Core drilling (BX size or larger) 2,060 feet @ $7.00 1//ft. or diamond drilling AX size @ $6.65 1// ft.	14,420.00
Cementing and drilling out holes, 500 feet @ $2.00/ft.	1,000.00
Radiometric probing of holes, 2,060 feet @ $0.10/ft.	206.00

Category (2) Personal Services:

(a) and (b) Supervision and technical services:

1 supervisor-engineer, 2½ months or equivalent @ $600.00/month	1,500.00
(c) Labor	None

Category (3) Operating Materials and Supplies

None except:

160 cardboard core boxes @ $1.25/box	200.00

Categories (4), (5), and (6)

None

Category (7) Miscellaneous:

None except:

Chemical analyses for U_3O_8 content of 65 samples @ $5.00/sample	325.00	
Estimated Total Cost of Project		$17,939.00
Government Participation @ 75% (rounded)		$13,454.00

1/ See Article 13(b).

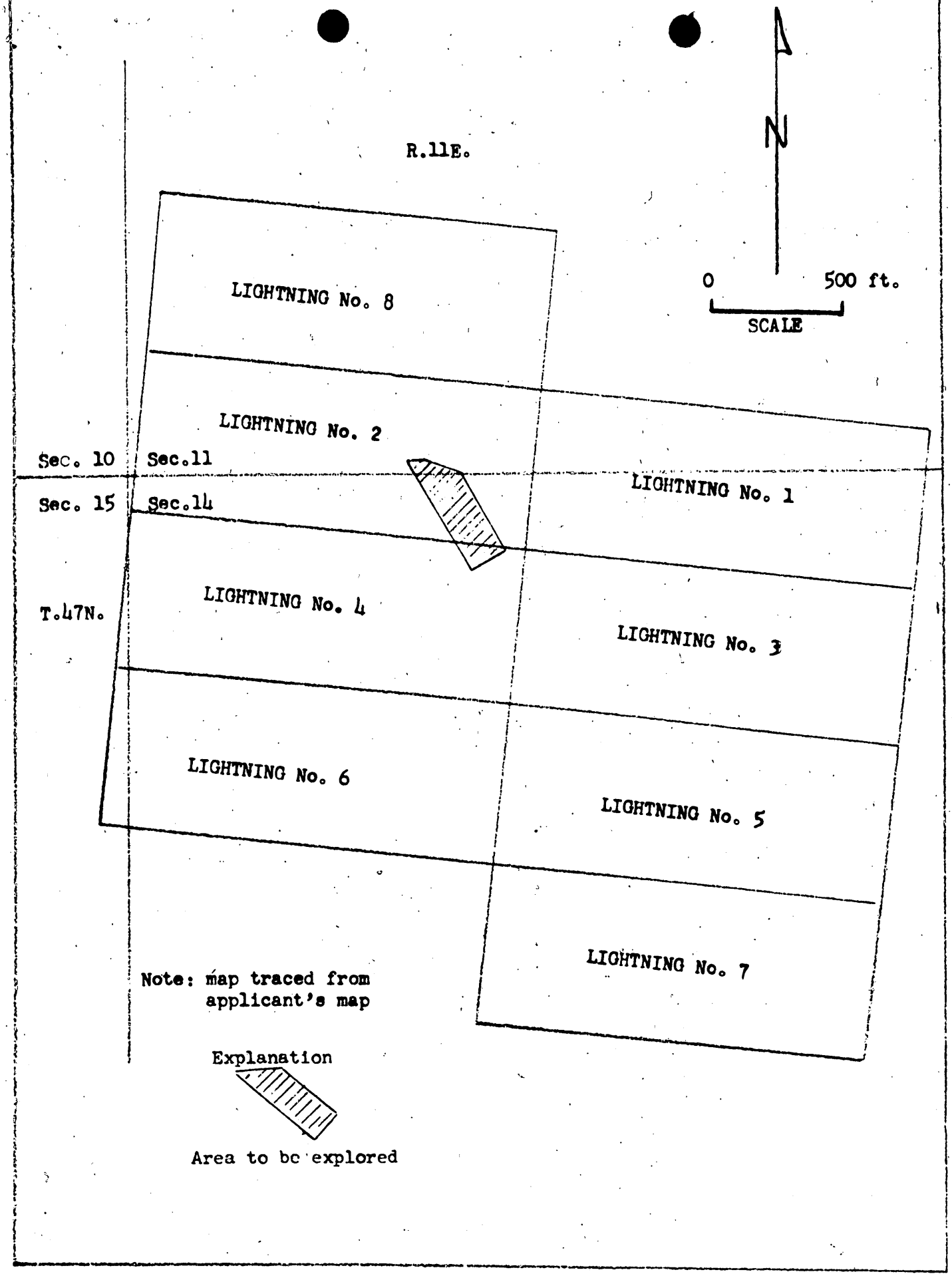

Figure 2 - Claim Map of the Lightning Group

EXTRA COPY
DMEA
RECEIVED JUN 10 1958
DATE | INITIALS | CODE
800

224 New Customhouse
Denver 2, Colorado
June 9, 1958

Memorandum

To: Chairman, Operating Committee, DMEA

From: Alternate Acting Executive Officer, DMEA Field Group, Region III

Subject: Docket No. DMEA 4368 (Uranium), Contract No. DMe-8148, D.A.G. Uranium Company (Lightning Group), Fremont County, Colorado

Enclosed are the Government's and Audit copies of Contract No. DMe-8148, which was forwarded by your letter of May 23, 1958 for signature by the Operator and insertion of a suitable final starting date under Article 3.

Also enclosed are two copies of the Operator's letter of June 5, 1958, whereby the executed copies of the contract were returned and advice given as to the starting date. Also enclosed are three copies of a letter from this office, dated June 9, 1958, whereby we forwarded the "Operator's Copy" of the contract, blank report forms and instructions relative to reporting on work performed under the contract, and outlined procedures to be followed in correspondence with this office in all matters pertaining to the contract.

The contract, dated May 23, 1958, provides for exploration work estimated to cost $17,939.00, toward which the Government will contribute 75 percent, or not in excess of $13,454.00.

Copies of the contract have been distributed to the Finance Office and others concerned in Region III.

Original signed by
J. W. TOWNSEND

JWT:prl

J. W. Townsend

cc: Ramsey
Finance Office, Region III
Harshman
DMEA/DPG-Winkel
} w/copy of contract and letter to Operator.
Gorman. file - w/copy of letter to Operator.
Townsend
Chron.

224 New Customhouse
Denver 2, Colorado
JUN 9 1958

CERTIFIED MAIL

EXTRA COPY DMEA RECEIVED JUN 10 1958		
DATE	INITIALS	CODE

Mr. A. M. Brenneke
D.A.C. Uranium Company
1016 Burt Building
Dallas 1, Texas

Re: Docket No. DMEA 4328 (Uranium)
Contract No. Idm-E1148
D.A.C. Uranium Company
(Lightning group)
Fremont County, Colorado

Dear Mr. Brenneke:

Enclosed herewith is the "Operator's Copy" of Exploration Project Contract No. Idm-E1148, Docket No. DMEA 4328.

Also enclosed are six copies of Form MF-104, "Operator's Monthly Report and Voucher," and six copies of Form MF-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 the

Executive Officer
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado.

The extra copy is for your records.

Forms MF-104 and MF-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 unless it is accompanied by a signed narrative report and other required or pertinent data. Additional copies of Forms MF-104 and MF-104A will be forwarded to you each month on receipt of your report for the prior month.

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 on the project and review your accounts,

after which the report forms will be forwarded to this office for administrative examination and voucharing. 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 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 the "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 NF-200, and under its provisions and as outlined in Exhibit "A", the estimated costs of performing the work are broken down into categories, which conform to the "Categories" in Article 6 of the contract form and conform to the numbered items for reporting on Form NF-104. Under the provisions of the contract, the work outlined in Exhibit "A" under Category (1) is to be performed by an independent contractor. The unit cost established for each item of work for all stages is a maximum average unit cost which cannot be exceeded. The actual costs of the work completed under Category (1) are to be recorded under item 1 of Form NF-104 and must be supported and documented by a signed or certified true copy of the billing from the subcontractor. The costs of sample analysis under Category (7) must be supported by a copy of the assay return and a signed or certified true copy of the billing from the assayer. For further information on reporting procedures and documentation, you are referred to the next to the last paragraph on the reverse side of Form NF-104. The actual properly documented costs, up to the maximum average unit cost established for each category of work, will be the basis for reimbursement to you under the terms of the contract.

In reference to Article 13 (b) of the contract pertaining to the average unit cost of the drilling, if excess costs are suspended by reason of exceeding the maximum unit cost of the drilling described under Category (1), the excess costs will be held in suspense and be reinstated by this office, to the extent suspended funds are available, in the event the unit costs for any month should cause the average unit cost to fall below the maximum average unit cost established in the contract for the drilling.

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. Each request for action by this office must pertain to one matter only. Such requests are not to be incorporated in your narrative report accompanying monthly progress report forms MF-104 and MF-104A.

The locations of the holes to be drilled under Stage I are indicated as approximate on the map, "Figure 3," attached to the contract. Should conditions encountered necessitate any appreciable 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.

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.

Very truly yours,

Original signed by
J. W. TOWNSEND

Alternate Acting
Executive Officer
DMEA Field Team, Region III

cc: Mr. R. Gerald Hughes
2935 Jay Street
Denver 15, Colorado

Enclosures

JWT:prl

cc: Chmn. Op. Comm. (3)
Finance Office, Region III
Amendment file, Region III
Harshman
DMEA/DFC-Buel
Townsend
Corres. file
Chron.

D.A.C.
URANIUM CO.

1307 Tower Petroleum Bldg. • Dallas, Texas • Telephone RAndolph 2645

DMEA
DEPARTMENT OF THE INTERIOR
JUN 9 - 1958
REGION III
DENVER, COLORADO

June 5, 1958

Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

Re: Docket No. DMEA-4328

Gentlemen:

Receipt is acknowledged of your letter dated June 3, 1958 enclosing 4 copies of a proposed Exploration Contract No.Idm-E1148.

It is contemplated that work under this contract will be started not later than June 23, 1958, and request that this date be inserted in the several copies of the contract.

The 4 copies of the contracted forwarded with your letter of June 3, have been executed, attested and sealed and are returned herewith.

Very truly yours,

D.A.C.URANIUM COMPANY

By: A. M. Brenneke
A. M. Brenneke, President

encls.

AMB:lmd

DMEA Form 14

Contract No. Idm-E 1148

Docket No. 4328

DEPARTMENT OF THE INTERIOR

Rewritten approved contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

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

Date of Contract	Region	State	Commodity
May 23, 1958	III	Colorado	Uranium

Name and Address of Operator: D. A. C. Uranium Co.
1016 Burt Building
Dallas, Texas

	Reserve	Obligation
Prior Amount	0	0
Increase	13,454.00	0
Decrease	0	0
Revised Amount	13,454.00	0

Remarks:

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

Date delivered to Bureau of Mines, Washington 5/27/58

22845

DMEA Form 14

Contract No. Idm-E 1148

Docket No. 4328

DEPARTMENT OF THE INTERIOR

Withdrawn contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

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

Date of Contract	Region	State	Commodity
October 31, 1957	III	Colorado	Uranium

Name and Address of Operator: D.A.C. Uranium Co.
1016 Burt Building
Dallas, Texas

	Reserve	Obligation
Prior Amount	13,454.00	00
Increase	0	0
Decrease	13,454.00	0
Revised Amount	0	0

Remarks:

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

Date delivered to Bureau of Mines, Washington 4/9/58

22845

DMEA Form 14

Contract No. Idm-E 1148

Docket No. 4328

DEPARTMENT OF THE INTERIOR

Approved contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

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

Date of Contract	Region	State	Commodity
October 31, 1957	**III**	**Colorado**	**Uranium**

Name and Address of Operator: **D. A. C. Uranium Co.**
1016 Burt Bldg.
Dallas, Texas

	Reserve	Obligation
Prior Amount	0	0
Increase	13,454.00	0
Decrease	0	0
Revised Amount	13,454.00	0

Remarks:

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

Date delivered to Bureau of Mines, Washington **10/31/57**

22845

EXTRA COPY
O. M. E.
RECEIVED NOV 24 1958

DATE	INITIALS	DATE

FINAL DISTRIBUTION

MAILED NOV 18 1958

DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
REGION III

Administrative Audit Difference Statement

Date: November 18, 1958
Payee's Reference: 6-23-58 ~~9-30-58~~

Dr At C. Uranium Company
1016 B urt Bldg.
Dallas, Texas

Gentlemen:

Upon examination of the above Payee's Reference a difference was found which made it necessary to suspend your account accordingly:

Amount Claimed	$ 13,262.45
Difference	$ 966.10
Amount Approved	$ 12,296.35

The reason for the difference was due to:

Disallowed: A 1 1/2 feet BX core drilling at $7.00 Hole No. 3 was actually drilled to only 128.5 feet	10.50
61 feet of radiometric probing at $.10	6.10
Only 1398 feet of probing has been accomplished	
Suspended	
All cost for hole No. 7 as radiometric probing has not been accomplished	949.50
	$ 966.10

Withheld: $500.00 pending resumption of work

Any reclaim for deductions made above must be supported by the original of this form.

Very sincerely yours,

Randel R. Cooper
[redacted]
Audit Section

Form No. 4
4-15-52 D

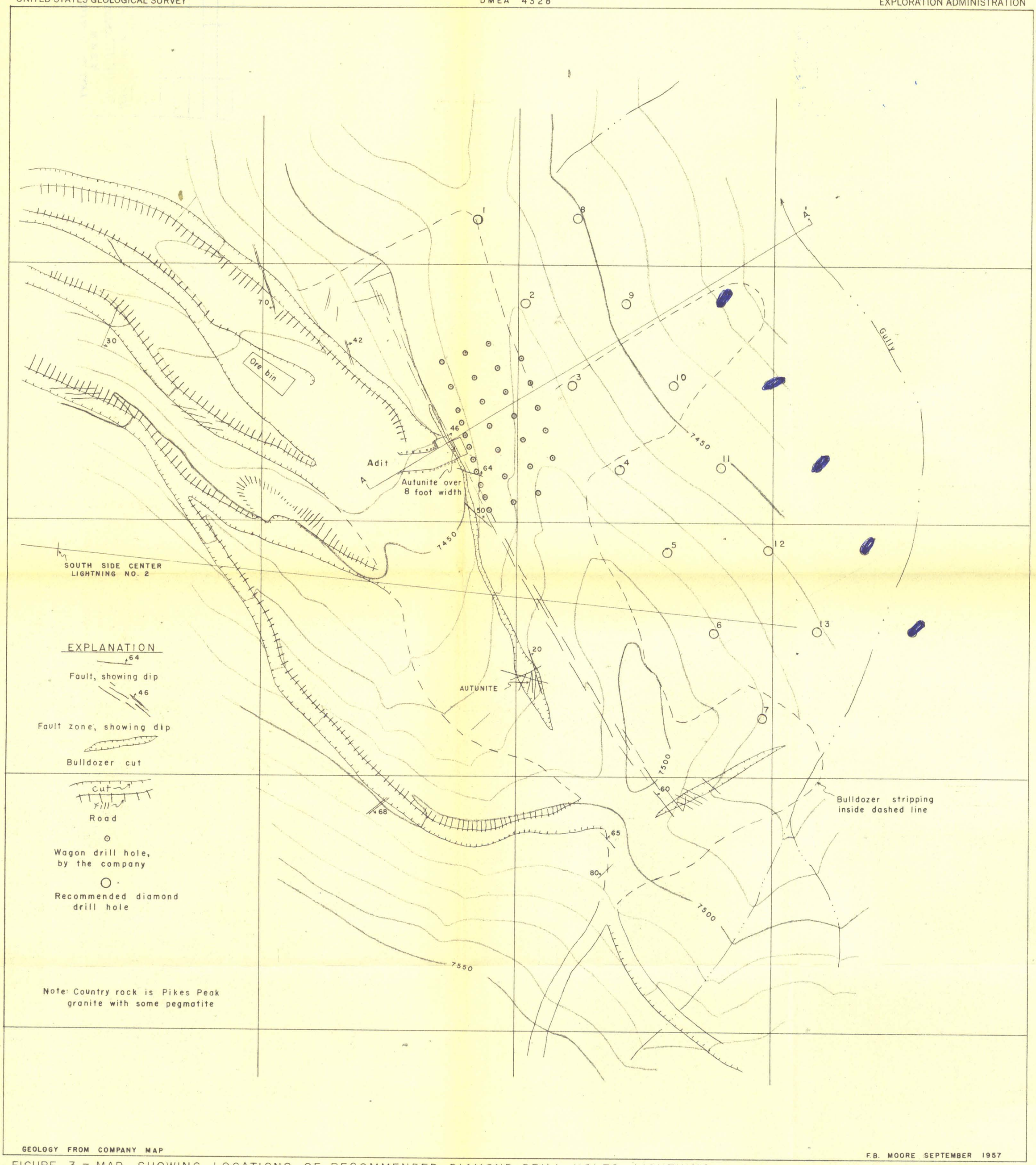

FIGURE 3.- MAP SHOWING LOCATIONS OF RECOMMENDED DIAMOND DRILL HOLES, LIGHTNING CLAIMS 2 AND 4, FREMONT COUNTY, COLO.

50 0 50 100 150 200 FEET
SCALE

CONTOUR INTERVAL 10 FEET

U. S. DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

EXAMINATION REPORT
DMEA 4328

PREPARED FOR DEFENSE MINERALS
EXPLORATION ADMINISTRATION

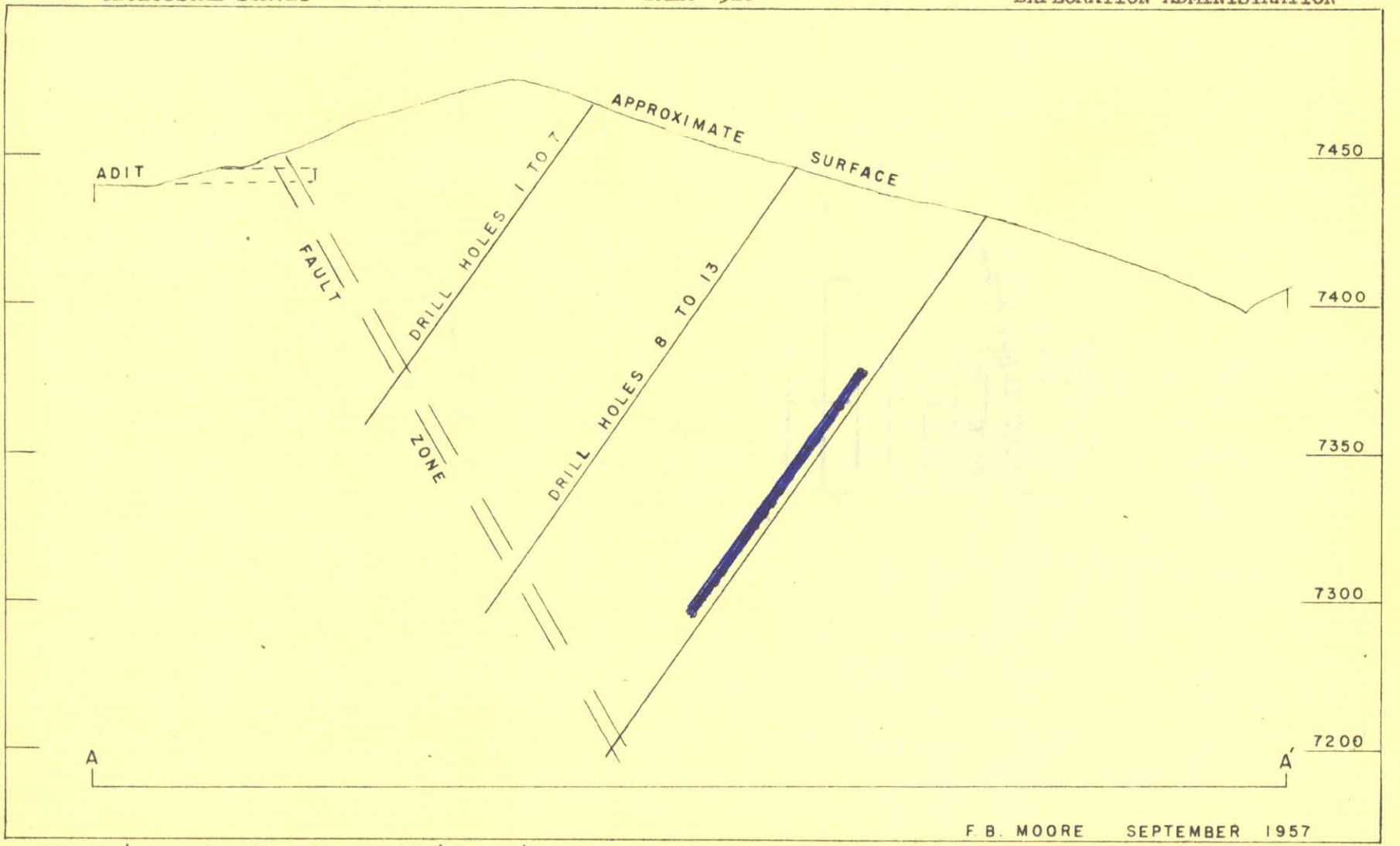

FIGURE 4.--VERTICAL SECTION AA' (FIG. 3) SHOWING RELATIVE POSITIONS OF FAULT ZONE AND LINES OF DRILL HOLES, LIGHTNING CLAIMS 2 AND 4, FREMONT COUNTY, COLORADO

SCALE 1 in. = 50 ft.