DMEA Form 9
Rev. 6/57

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration

OFFICIAL DOCKET FILE | Idm-E NO. 380 | DMEA NO. 2420

Application
- [ ] Denied
- [ ] Withdrawn

Contract
- [ ] Terminated - Not Certified
- [x] Terminated - Certified
- [ ] Cancelled
- [ ] Royalty Agreement

The records contained in this file are marked (x) and arranged in this order:

Folder No. 1:

Left Side

- [ ] Royalty Audits
- [x] Certification of Discovery
- [ ] Closing Letter
- [x] Cost Audits
- [ ] Termination Notice or Agreement
- [ ] Recision Notice
- [ ] Assignment of Contract
- [x] Contract Amendments
- [x] Contract with all exhibits and annexes
- [ ] Owner's Consent to Lien and Subordination Agreement
- [x] Application and attachments

Right Side

- [x] Project summary (final)
- [x] Work Completed analysis (final)

All other material filed in chronological order including the following reports if checked:

- [ ] Field Team Semi-Annual Report for Certified Project
- [x] Final Field Team Report (Tab)
- [ ] Operator's Final Report (Tab)
- [ ] Interim Field Team Reports
- [ ] Operator's monthly reports and all attachments
- [x] On-site Exam Report (Tab)
- [ ] Settlement Sheets
- [ ] Drill Logs

Additional Folders:

Left Side

Folders No. 2 : Reports
- [ ] Analysis of Semi-Annual Inspection Reports
- [ ] Project Summary (Interim) by DMEA Engineers

Right Side

- [x] Field Team Semi-Annual Report for Certified Project
- [x] Field Team Interim Reports
- [x] Operator's Monthly Reports with transmittal, narrative and maps.

Folders No. _____ : Maps (Use pocket folder or envelope)

Folders No. _____ : Settlement Sheets

Folders No. _____ : Drill Logs

Folders No. _____ : Royalty material

Reported Inactive 12/28/59

17963

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BATES NO. 4GGSP0000404

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Washington office pertaining to Contract Idm-K380, Docket DMEA-2420 (zinc-lead), dated August 4, 1952, with

Hypothesk Mining & Milling Company
510 Bank Street
Wallace, Idaho

for the purpose of determining the amount of royalty payable to the U. S. Government on sales of minerals from property referred to as the East Hypothesk Mine located in Shoshone County, Idaho, during the period September 9, 1959, through December 27, 1962.

A certification of discovery or development was issued on October 29, 1954, and, in accordance with Annex II (attached to and a part of Amendment No. 5) of the contract, royalty is payable on all minerals produced from the land described in Article 2 of the contract for a period of 11 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. An Audit Certificate dated July 25, 1955, indicated accepted costs under the exploration contract amounting to $34,559.51 with the Government's contribution on a 50 percent basis being $17,279.76.

The status of the project, the scope of review, and the reasons therefor are stated on page 2.

This review found no sales subject to the Government's royalty subsequent to the period covered by a prior Report of Royalty Review which also found no sales subject to the Government's royalty through September 8, 1959. Accordingly, as of December 27, 1962, the royalty account of this project was found to be:

Total Royalty Payable	$ -0-
Total Royalty Paid	-0-
Balance of Royalty Due	$ -0-

E. D. Talbert, OME Auditor

January 8, 1963

Idm-8380 Hypothesk Mining & Milling Company DMEA-2420

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

This contract, as amended, provides that the Operator, as principal if the producer or as surety if not the producer, shall pay to the Government a percentage royalty on all minerals produced from the land thereunder. The land consists of certain claims, properties, and interests in secs. 17, 18, 19, and 20, T. 48 N., R. 2 E., B.M., in the Pine Creek area of the Yreka Mining District. The contract recites that the Operator was in possession "pursuant to the purchase agreement set forth in Annex I", but Annex I contains no reference to such agreement. The files, however, contain a June 30, 1950, agreement between the Operator and the King of Pine Creek Mining Company for purchase over a period of 25 years. In consideration of the exploration contract, the seller executed an Owner's Consent to Lien on January 18, 1952. The contract contains the so-called "abandonment" provision.

Exploration work under the contract was terminated October 4, 1954, and all activity ceased some time during the first half of 1955. Reports of DMEA and OME regional representatives, on the basis of examinations and inquiries, state that the property remained inactive to September 8, 1959.

In a December 27, 1962, reply to a MME Form 63 inquiry, W. T. Anderson, Manager, King of Pine Creek Mining Company, Box 178, Spokane 10, Washington, advised that (1) there had been no production from the property since September 8, 1959, and (2) its 1950 agreement with the Operator had been terminated for non-payment.

Inquiries by MME Form 63 addressed to the Operator on August 24, 1962, and October 5, 1962, did not result in replies. The October inquiry was sent by registered mail. A return receipt indicates that delivery was effected on November 2, 1962.

This review was made in lieu of an on-site audit of the Operator's accounts and records for the following reasons:

(1) The files indicate that no ores were produced from the date of the contract through the period covered by this review; and
(2) The administrative cost to the Government of an on-site royalty audit at this time would be excessive in relation to the amount of possible royalty which might be disclosed.

MME Form 22
April 59

DEPARTMENT OF THE INTERIOR
Office of Minerals Exploration

CHECK SHEET OF EXAMINING ENGINEER

Operator's Name Hypotheek Mining & Milling Company

Address Wallace, Idaho

Exploration Contract No. Idm-E380 Docket No. DMEA-2420

		Check One Yes	Check One No.
1.	(a) Does the Operator stockpile ore subject to royalty repayment?		X
	(b) If so, is segregation and identification procedure adequate?		
2.	(a) Does Operator commingle production subject to DMEA or OME royalties with exempt production?		X
	(b) If so, do you consider the allocation of the commingled production equitable?		
3.	(a) Does the Operator stockpile mine or mill rejects (low grade ore, tailing, middlings, etc.) that may have potential value within the royalty payment period?		X
	(b) If so, are adequate records maintained on such material to protect the Government's interest?		
4.	Do you consider the assay controls in effect are adequate?	X	
5.	Do you consider that the manner of disposing of production gives the Government its fair royalty returns?	X	
6.	Do your periodic examinations of operations indicate the Operator is properly reporting his production of ores subject to DMEA or OME royalties?	X	
7.	Does the Operator buy from or sell to other Operators?		X
8.	Comment on any item 2 (b) to 6 if answer is No.		

Property inactive.

September 8, 1959
Date

S. W. Zoldok
Mining Engineer
S. W. Zoldok

53362

(2) 759 (2) 225

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Office of Minerals Exploration, Washington, D. C., pertaining to Contract No. Idm-E380, Docket No. DMEA-2420 (Zinc-Lead), dated August 4, 1952, with

Hypothesk Mining and Milling Company
510 Bank Street
Wallace, Idaho

for the purpose of determining the amount of royalty due the U. S. Government on sales of minerals from property referred to as East Hypothesk Mine located in Shoshone County, Idaho, during the period August 4, 1952, through September 8, 1959.

A certification of discovery or development was issued on October 29, 1954, and, in accordance with Amendment No. 5 of the contract royalty is payable on all minerals mined or produced from the land described in Article 2 of the contract for a period of 11 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. An Audit Certificate dated July 25, 1955, indicated accepted costs under the exploration contract amounting to $34,559.51 with the Government's contribution, on a 50 percent basis, being $17,279.76.

This review was made in lieu of an on-site audit of the Operator's accounts and records for the following reasons:

(1) The mine has not been operated since completion of the exploration;
(2) Semi-annual reports by representatives of the Field Team, Region I, and other documents in the files do not disclose any production or sales of minerals from this property subject to Government royalty during the exploration period or subsequent thereto; and
(3) The administrative cost to the Government of an on-site royalty audit at this time would be excessive in relation to the amount of possible royalty which might be disclosed.

The review has indicated that there has not been any production since August 4, 1952, from the land described in Article 2 of the contract and no royalty is due to the Government.

C. E. Fisher

C. E. Fisher, OME Auditor

September 15, 1959

Docket copy

EXPLORATION PROJECT CONTRACT
HYPOTHEEK MINING & MILLING COMPANY
DOCKET NO. DMEA-2420

AMENDMENT NO. 5

It is agreed this 27th day of August, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Hypotheek Mining and Milling Company, hereinafter called the "Operator," that Exploration Project Contract Idm-E380 (Docket No. DMEA-2420), dated August 4, 1952, as amended, hereinafter called the "Contract," is further amended as follows:

1. Effective August 4, 1954, the period "24 months" in Article 3, provided by Amendment No. 3, is deleted and the period "26 months" is substituted.

2. Effective August 4, 1952, Annex II, attached hereto and made a part hereof, is substituted for Article 9 of the Contract.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute, or the amount of any item designated as "allowable maximum."

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C O Mitteudorf
Administrator, Defense Minerals
Exploration Administration

J. W. Alb
Chamberlain
Martin
Grimes
J E Johnson

HYPOTHEEK MINING & MILLING COMPANY

By Roy H Kingsbury Sec'y

EXPLORATION PROJECT CONTRACT
HYPOTHEEK MINING & MILLING COMPANY
DOCKET NO. DMEA-2420
ANNEX II

The following provisions are in lieu of Article 9:

Repayment by Operator.--a. Certification.--If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered the final report and final account, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

b. Royalty on production.--The Operator, as principal, if the Operator is the producer, or as surety, if the Operator is not the producer, shall pay to the Government a royalty on all minerals mined or produced from the land,* as follows: (1) regardless of any certification of discovery or development, from the date of the contract until the lapse of the time within which the Government may make such certification, or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first; or (2) if the Government makes a certification of discovery or development, for a period of ten years‡ from the date of the contract, or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first.

c. Basis for computation.--The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight paid by the buyer to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling or assaying, or transportation, performed or paid by the

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* The "land" refers to the land described in Article 2 of the contract.

‡ The period "eleven years" is substituted for the period "ten years."

Operator or by anyone other than the buyer, are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent) applied to the raw ore or other production after it is extracted from the ground, to put it into a commercially marketable form; excluding fabricating or manufacturing.

d. Unsold production.--If any production (ore, concentrates, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance, if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrates, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time when it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

e. Percentages of royalty.--The percentages of the Government's royalty shall be as follows:

> One and one-half ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.
>
> (For instance: the royalty on an amount of five dollars ($5.00) per ton, would be one and one-half ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

f. Lien for payment.--To secure the payment of its percentage royalty, there is hereby granted to the Government a lien upon the land or the Operator's interest in the land and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

g. Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Administrator, Defense Minerals Exploration Administration, or his successor, and his estimate thereof shall be final and binding upon the Operator.

h. No obligation to produce.--Nothing in this contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

i. Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals mined or produced from the land.

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Docket copy

Defense Minerals Administration
RECEIVED
MAY 3 - 1954

EXPLORATION PROJECT CONTRACT
HYPOTHEEK MINING & MILLING COMPANY
DOCKET NO. DMEA-2820

AMENDMENT NO. 4

It is agreed this 15th day of April, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Hypotheek Mining & Milling Company, parties to that certain Exploration Project Contract IDM-E380, Docket No. DMEA-2820, dated August 4, 1952, as amended, hereinafter called the "Contract," that:

1. (a) Work under the Contract shall be suspended during the period beginning April 1, 1954, the date upon which work was to be resumed under Amendment No. 3, and ending not later than July 1, 1954.

(b) No costs incurred by the Operator during the period of suspension shall be allowable for contribution by the Government.

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

(d) 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.

2. It is of the essence of the Contract that work be resumed on or before July 1, 1954; and if the work is not resumed within the time limited, in a manner required to bring the work to completion as required:

(a) All obligation of the Government to contribute to costs not incurred before August 4, 1951, shall be and is hereby terminated, except for necessary and reasonable costs and expenses incurred in:

(1) preserving and disposing of property to the cost of which the Government has contributed, and

(2) making and rendering reports, accounts, and winding-up and settlement actions provided for in the Contract.

(b) The Operator shall promptly perform all winding-up and settlement actions provided for in the Contract, including the disposal of any facilities, buildings, fixtures, equipment, or other items to the cost of which the Government has contributed; and shall promptly render to the Government a final report and a final accounting.

(c) Article 9 of the Contract, as amended hereafter, shall remain in full force and effect. That part of paragraph (a) of Article 9 which precedes the first colon is amended to read as follows:

> "The Operator, regardless of any certification of discovery or development, and regardless of whether the Operator is the producer or has any interest in the land or the production therefrom, shall pay to the Government a royalty on all minerals mined or produced from the land described in the Contract for a period of ten years from the date of the Contract, or until the total amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of the net smelter returns, the net concentrator returns, or other amounts realized from the sale or other disposition of any such production (including any bonuses, premiums, allowances, or other benefits), in whatever form disposed of, including ore, concentrates, or metal, as follows:"

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total

amount which the Government may be required to contribute, or the amount of any item designated as "allowable maximum."

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C O Mitteudorf
Administrator, Defense Minerals
Exploration Administration

Ruby Hoffland
Chamberlain

HYPOTHEEK MINING & MILLING COMPANY

By Roy H. Kingsbury

EXPLORATION PROJECT CONTRACT
HYPOTHEEK MINING AND MILLING COMPANY
DOCKET NO. DMEA-2420

Docket Copy

AMENDMENT NO. 3

It is agreed this 28th day of September, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Hypotheek Mining and Milling Company, that Contract Idm-E380 (Docket No. DMEA-2420) dated August 4, 1952, as amended, is further amended, effective August 4, 1953, as follows:

1. In Article 3 of the contract form, delete the period "12 months" and substitute the period "24 months."

2. During the period August 4, 1953, to not later than April 1, 1954, the project work shall be recessed; the Government shall not contribute to any costs incurred by the Operator; and the Operator shall save the Government harmless from any and all claims, and shall preserve and protect the project work and any property in which the Government has an interest.

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

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

By Robert Hollowed Chandler

HYPOTHEEK MINING AND MILLING COMPANY

By Roy H. Kingsbury Sec'y Treas.

DOCKET COPY

AMENDMENT NO. 2

Docket No. DMEA 2420 (Pb-Zn)

Defunc 5/1/53 Butler

It is agreed this 18th day of March 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Administration, and Hypothesk Mining & Milling Co.

each acting in consideration of the agreement of the other to the terms hereinafter set forth, that the Exploration Project Contract Idm-E 380 of August 4 1952 between the parties hereto be modified and amended as described in Exhibit "F" attached hereto, which, with any maps or drawings attached thereto, is made a part of this agreement. The effective date of this amendment shall be October 1 1952.

This amendment is made by authority granted the Executive Officer, DMEA Field Team, Region II, in Order No. 2684 by the Acting Secretary of the Interior.

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

Executed in sextuplicate the day and year first above written.

HYPOTHEEK MINING & MILLING CO.
(Operator)

By Leif Torkelson

THE UNITED STATES OF AMERICA

By A. E. Weissenborn
A. E. Weissenborn, Exec. Officer
DMEA Field Team, Region II

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BATES NO. USGSP00000404

HYPOTHEEK MINING AND MILLING COMPANY
Exploration Project Contract Idm-2380
Docket No. DMEA 2480 (lead-zinc)

AMENDMENT NO. 2

Exhibit "F"

Changes and modifications

In Exhibit "A" under "Estimated Costs of the Project", Item (4), To be purchased, delete:

One new 3-ton diesel locomotive	$6,000.00
Two used IR DA-35 drifters @ $500 each	1,000.00

Add:

1 Thor sinker drill, attachments and accessories, est.	600.00

Add to Item (4), To be furnished by Operator:

Depreciation allowance	Monthly allowance	Total months	Total
1 Mancha trammer, complete with battery and charging panel	$45.00	8	$360.00
2 Drifters @ $10 each per month	20.00	8	160.00

HYPOTHESIS MINING AND MILLING COMPANY
Exploration Project Contract Idm-X380

Justification of Amendment No. 2

Amendment No. 2 to Contract Idm-X380 approves a depreciation allowance of $45 per month for a mansha trammer complete with battery and charging panel and $20 a month for two drifters.

The trammer owned by the company is proving adequate for the operation; therefore, depreciation allowance was approved in lieu of purchasing the new locomotive.

One Thor sinker and attachments was purchased under the contract but due to ground conditions, drifters prove to be more efficient. The company, because of curtailment at another property, has drifters available; therefore, depreciation allowance is approved on 2 drifters in lieu of purchase.

This amendment effects a considerable saving to the Government.

E. G. Erickson

AMENDMENT NO. 1

It is agreed this 11th day of Sept. 195 2, between the the United States of America, acting through the Department of the Interior, Defense Minerals Administration and Hypotheek Mining & Milling Company, Wallace, Idaho (Docket No. DMEA 2420, zinc-lead)

each acting in consideration of the agreement of the other to the terms hereinafter set forth, that the Exploration Project Contract Idm-2380 of Aug. 4 195 2 between the parties hereto be modified and amended as described in Exhibit "F", attached hereto, which, with any maps or drawings attached thereto, is made a part of this agreement. The effective date of this amendment shall be August 4 195 2.

This amendment is made by authority granted the Executive Office, DMA Field Team, Region II in Order No. 2684 by the Acting Secretary of the Interior.

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

Executed in sextuplicate the day and year first above written.

HYPOTHEEK MINING & MILLING CO.
(Operator)

By Sig Torkelson

The United States of America

By A. E. Weissenborn
A. E. Weissenborn, Exec. Officer
DMEA Field Team, Region II

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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BATES NO. USGSP00000404

NIPPONEMA MINING AND MILLING CO.
Shoshone County, Idaho
Docket No. 2420 (lead-zinc)
Contract Idm-2380

AMENDMENT NO. 1

Exhibit "F"

Changes and modifications

In Exhibit "A" under "Estimated Costs of the Project," Item (4), "To be Rented", delete:

1 Kimco 12B loader @ $250.00 per month for ten months	$2,500.00

Add to Item (4), "To be Purchased",

1 Kimco 12B loader (used)	$2,500.00

HYPOTHEEA MINING & MILLING COMPANY
Shoshone County, Idaho
Docket No. DMEA 2420 (lead-zinc)
Contract Idm-2380

Justification of Amendment No. 1

Amendment No. 1 to Contract No. Idm-2380 allows the purchase of a used mechanical loader for $2500.00 in lieu of renting the same type loader for a total rental cost of $2500.00.

Purchasing the loader is of benefit to both the Government and the Operator as a definite equity will be established.

MF-200
(June 1951)
(Revised Feb. 1952)

DOCKET NO. DMEA 2420

COMMODITY Zinc-Lead

Idm-E380
Docket Copy

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

EXPLORATION PROJECT CONTRACT[1]

IT IS AGREED this 4th day of August, 1952, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Hypotheek Mining and Milling Company, a corporation duly organized and existing under and by virtue of the laws of the State of Idaho, 510 Bank Street, Wallace, Idaho

hereinafter called the "Operator," as follows:

ARTICLE 1. *Authority for contract.*—This agreement is entered into under the authority of the Defense Production Act of 1950, as amended, pursuant to DMEA Order 1 entitled "Government Aid in Defense Exploration Projects."

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of Idaho, County of Shoshone, described[3] in Annex I.

the Operator represents and undertakes:[4]

(*a*) That the Operator is pursuant to the purchase agreement set forth in Annex I. in possession and entitled to possession and that the property is subject to no other lien or encumbrance, and the Owner's Consent to Lien is attached.

(*b*) That the Operator is not in possession and entitled to possession and the Owner's Consent to Lien is attached.

The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof.

ARTICLE 3. *Exploration project.*—The Operator, within 60 days from the date of this contract shall commence work on a project of exploration for[5] zinc-lead

in or upon the described land; and shall bring the project to completion within a period of 12 months from the date of this contract. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided.

ARTICLE 4. *Performance of the work.*—(*a*) *Operator's responsibility.* The work shall be performed efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmens' compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. To the extent specified in Exhibit "A," attached hereto, the work may be performed by independent contractor or contractors; and work not specified in Exhibit "A" for performance by independent contractor may nevertheless be so performed upon amendment of Exhibit "A," as agreed to by the parties, to state the work to be so performed and the estimated unit costs thereof, as provided hereafter.

(*b*) *Independent contracts.*—Any independent contract for the performance of work shall be on a unit-price basis (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, per cubic yard of material moved), or on some basis that will indicate the amount due for work performed at any stage of the work to be performed under such independent contract. The Government shall not be nor be considered to be a party to any such independent contract, and the Government's right to terminate the exploration project contract under any of its provisions shall not in any manner be affected by reason of any such independent contract. If the reference in Exhibit "A" to any such independent contract states that the Government's approval thereof is required, the Government may refuse to participate in the cost thereof unless and until it has given its written approval of the independent contract.

(*c*) *Government may inspect.*—The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 5. *Estimated costs of the project.*—A statement of the estimated cost of the project is set forth in Exhibit "A," attached hereto. Except insofar as any item of requirement or the estimated cost thereof set forth in Exhibit "A" is there or elsewhere designated as an "allowable maximum," such items of requirement and of related cost are estimates only, and may be exceeded to the extent that the Government may from time to time approve for the most economic and beneficial performance of the work within the limitation of the total aggregate estimate of costs. The Government's approval of any such excess over the estimate for an item of requirement or related cost will be signified by its approval and payment of any invoice or voucher for payment which expressly calls attention to such excess. Items expressly designated in Exhibit "A" or elsewhere as "allowable maximum," and the total aggregate estimated cost are limitations, and any excess therein will be for the sole account of the Operator in which the Government will not participate.

ARTICLE 6. *Allowable costs of the project.*—(*a*) The costs of the project in which the Government will participate are limited to the following:

(1) *Independent contracts.*—Payments to independent contractors under independent contracts listed in Exhibit "A." The estimated cost of any work to be performed under an independent contract is or shall be included in the estimate of costs in Exhibit "A" in terms of the estimated numbers of units of work to be performed, the estimated amount to be paid per unit, and the estimated total amount to be paid to the independent contractor, and such estimates shall be allowable maximums above which the Government will not contribute. Regardless of the provisions of any such independent contract, the Government will participate in the payments to the independent contractor only on account of work actually performed and that conforms with the provisions of the 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 and necessary. No such independent contract shall have the effect of increasing the estimated total cost of the exploration project contract nor the maximum amount which the Government will pay as provided in the exploration project contract.

(2) *Labor, supervision, consultants.*—Labor, supervision and technical services (including engineering and geological consultants), a schedule of which is included in the estimate of costs set forth in Exhibit "A." The requirements and related estimated costs for supervision and technical services are allowable maximums.

(3) *Operating materials and supplies.*—Necessary materials and supplies including items of equipment costing less than $50.00 each, and power, water, and fuel, a schedule of which is included in the estimate of costs in Exhibit "A."

(4) *Operating equipment.*—Any operating equipment to be rented or purchased, or which is owned and will be furnished by the Operator, with the estimated rental, purchase price, or the allowable depreciation, as the case may be, a schedule of which is included in Exhibit "A." Any items listed as owned and to be furnished by the Operator, and related allowable depreciation, are allowable maximums.

(5) *Rehabilitation and repairs.*—Any necessary initial rehabilitation or repairs of existing buildings, installations, fixtures, and movable operating equipment, now owned by the Operator and to be devoted to the purposes of the exploration contract, a schedule of which is included in the estimate of costs set forth in Exhibit "A." These items are allowable maximums.

(6) *New buildings, improvements, installations.*—Any necessary buildings, fixed improvements, or installations to be purchased, installed, or constructed for the purposes of the exploration work, with the estimated cost of each, a schedule of which is included in the estimate of costs in Exhibit "A." All of these items are allowable maximums.

(7) *Miscellaneous.*—Repairs to and maintenance of operating equipment (not including initial rehabilitation or repairs of the Operator's equipment), analytical work, accounting, workmen's compensation and employers' liability insurance and payroll taxes.

(8) *Contingencies.*—Such other necessary, reasonable direct costs of performing the exploration work, within the limit of the total aggregate estimate of costs, whether or not included in any schedule of costs in Exhibit "A," as may be approved by the Government in the course of the work, as indicated by its approval and payment of invoices and vouchers.

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] State name, address, and nature of organization if any.
[3] Give legal description or enough to identify the property, particularly excluding any land or interest therein to which the Government's lien is not to attach or the production from which is not to be subject to the Government's percentage royalty.
[4] Strike out the provision not applicable.
[5] Name of mineral or minerals.

(*b*) The Government's payments in all cases will be based on actual, necessary costs (including contract unit prices) incurred not in excess of any "allowable maximum," and not in excess of the fixed percentage of the total aggregate estimated cost. Costs will be considered to be incurred only as they are or become due and payable.

(*c*) No items of general overhead, corporate management, interest, taxes (other than payroll and sales taxes) or any other indirect costs, or work performed or costs incurred before the date of this contract, shall be allowed as costs of the project in which the Government will participate.

ARTICLE 7. *Reports, accounts, audits.*—(*a*) *Progress reports.* The Operators shall provide the Government with monthly reports of work performed and costs (including contract unit prices) incurred under the contract, in quintuplicate (five copies), upon forms provided by the Government. These progress reports shall be certified by the Operator, and shall constitute both the Operator's invoice of costs incurred on the project during the period covered by the report and his voucher for repayment by the Government, unless the Government requires the use of a standard voucher form with invoice attached. Progress reports shall include surface and/or underground engineering-geological maps or sketches showing the progress of the exploration, with assay-reports on samples taken concurrently with the advance in mineralized ground.

(*b*) *Final report.*—Upon completion of the exploration work or termination of the contract the Operator shall provide the Government with an adequate geological and engineering report, in quintuplicate (five copies), including an estimate of ore reserves resulting from the exploration work.

(*c*) Compliance with requirements.—If, in the opinion of the Government, any of the Operator's reports are insufficient or incomplete, the Government may procure the making or completion of such reports and attachments as an expense of the exploration work; and the Government may withhold approval and payment of any vouchers depending upon insufficient or incomplete reports.

(*d*) *Accounts and audits.*—The Operator shall keep suitable records and accounts of operations, which the Government may inspect and audit at any time. The Government may at any time require an audit of the Operator's records and accounts by a certified public accountant, the cost thereof to be treated as a cost of the project. The Operator shall keep and preserve said records and accounts for at least 3 years after the completion of the project or the termination of this contract. Upon the completion of the project or termination of the contract the Operator shall render a final account as provided in Article 12.

ARTICLE 8. *Payments by the Government.*—(*a*) The Government will pay 50 percent of the allowable costs incurred, as they accrue, in an aggregate total amount not in excess of $35,205.00, which is 50 percent of $70,410.00, the agreed, estimated total cost of the project in which the Government will participate; *Provided,* that until the Operator's final report and final accounting have been rendered to the Government, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract.

(*b*) The Government may make any payment or payments direct to independent contractors and to suppliers, for the account of the Operator, rather than to the Operator.

ARTICLE 9. *Repayment by Operator.*—(*a*) If, at any time, the Government considers that a discovery or a development from which production may be made has resulted from the exploration work, the Government, at any time not later than 6 months after the Operator has rendered the required final report and final account, may so certify in writing to the Operator. The certification shall describe broadly or indicate the nature of the discovery or development. In the event of such certification, any minerals mined or produced from the land described in Article 2 within 10 years from the date of this contract, including any mined or produced before the certification, shall be subject to a percentage royalty which the Operator or his successor in interest shall pay to the Government, upon the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, until the total amount contributed by the Government, without interest, is fully repaid, or said 10 years have elapsed, whichever occurs first, as follows:

(1) One and one-half (1½) percent of any such net amounts not in excess of eight dollars ($8.00) per ton.

(2) One and one-half (1½) percent of any such net amounts, plus one-half (½) percent of such net amounts for each additional full fifty cents ($0.50) by which such net amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such net amounts.

(For instance: The percentage royalty on a net amount of five dollars ($5.00) per ton would be one and one-half (1½) percent; on a net amount of ten dollars ($10.00) per ton, three and one-half (3½) percent.)

(*b*) As here used, "net smelter returns," "net concentrator returns," and "other net amounts realized from the sale or other disposition," mean gross revenue from sales; or if not sold, the market value of the material after it is mined in the form in which and the place where it is held. In the case of integrated operations in which the material is not disposed of as such, these terms mean what is or would be gross income from mining operations for percentage depletion purposes in income-tax determination.

(*c*) To secure the payment of its percentage royalty, the Government shall have and is hereby granted a lien upon the land described in Article 2 and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

(*d*) This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

ARTICLE 10. *Assignment, transfer, or loss of Operator's interest.*—Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder. The Operator shall not make any voluntary nor permit any involuntary transfer or conveyance of the Operator's rights in the land described in Article 2, without making suitable provision for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof; *Provided,* that mere failure by the Operator to maintain the Operator's rights in the land, without any consideration running to the Operator other than relief from the cost of maintaining such rights (as by surrender of a leasehold, failure to perform assessment work, or failure to exercise an option), coupled with complete abandonment by the Operator of all interest in or operations on the land for a period of 10 years from the date of this contract, shall not constitute such a transfer or conveyance. Should the Operator make or permit any transfer or conveyance in violation of this provision, the Operator shall be and remain liable for payment to the Government of the same amounts, at the same times, as would have been paid under the terms of the percentage royalty on production. If for any reason the net smelter returns, net concentrator returns, or other net amounts realized from the sale or other disposition of such production are not available as a means of measuring the amount of the Operator's liability, the amount thereof shall be estimated as well as may be, and in the event of dispute as to such estimates, the determination thereof by the Administrator of Defense Minerals Exploration Administration or by his successor shall be final and binding upon the Operator.

ARTICLE 11. *Title to and disposition of property.*—All facilities, buildings, fixtures, equipment, or other items costing more than $50.00 each, paid for or purchased with funds contributed jointly by the Operator and the Government, although title may be taken in the name of the Operator, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the completion of the work or the termination of the contract shall be disposed of promptly by the Operator 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 at a price at least as high as could otherwise be obtained, as may appear to be for the best interest of the Government, unless the Government, in writing, waives its interest in any such item. If necessary to accomplish such disposition, the Operator shall dismantle, sever from the land, and remove any such item, the cost thereof to be for the joint account of the parties in proportion to their respective interests. If the Operator, within 90 days after the receipt of written notice from the Government, fails, neglects, or refuses to dispose of such property, the Government may itself enter upon the land, take possession of, and remove and dispose of any such property as above provided. **See Exhibit "A", (4) for amendment.**

ARTICLE 12. *Termination and completion.*—The Government may, at any time, by written notice to the Operator, terminate this contract: (*a*) If the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (*b*) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (*c*) if in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worth while discovery and in the opinion of the Government further operations are not justified. Upon the completion of the project or any termination of the contract the Operator shall dispose of any remaining materials, supplies, facilities, buildings, fixtures, and equipment in which the Government has an interest, for the joint account of the Operator and the Government in the proportion of their respective interests; shall render to the Government a full and final accounting of his operations under the contract and his expenditures of money; and shall pay to the Government its pro rata share of any money remaining.

See Exhibit "A", (4) for amendment.

ARTICLE 13. *Changes and added provisions.* The Operator's obligation to bring the project to completion continues only as long as the accumulated allowable costs of the project in which the Government will participate do not exceed the agreed, total estimated cost of the project set forth in Article 8.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

HYPOTHEEK MINING AND MILLING COMPANY (Operator)

By Sigurd Torkelson

By C O Mittendorf
Acting Administrator
Defense Minerals Exploration Administration

I, Roy H Kingsbury, certify that I am the treasurer – secretary of the corporation named as Operator herein; that Sigurd Torkelson, who signed this contract on behalf of the Operator, was then vice 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.

Roy H Kingsbury

[CORPORATE SEAL]

NON-PRIVILEGED DOCUMENT

TO BE PHOTOCOPIED AND PRODUCED

DO NOT CODE

BATES NO. USGSP0000404

ANNEX I

The property referred to in Article 2 consists of certain lode mining claims, real properties and mining interests on Fine Creek in Yreka Mining District, Shoshone County, Idaho, is known as the East Hypotheek and is described as follows:

South Half (S½) of Southeast Quarter (SE¼) of Southeast Quarter (SE¼), being a part of Lot 8, of Section Eighteen (18), Township Forty-eight (48) North, Range Two (2) East B.M.

All Mines and minerals, lodes, veins, mineral deposits, mineral oils and natural gases of every kind and nature contained in or upon the North Half (N½) of the Southeast Quarter (SE¼) and Lots Seven (7) and Eight (8) of Section Eighteen (18), Township Forty-eight (48) North, Range Two (2) East B.M., containing 149.75 acres.

Together with all easements and rights of way necessary thereon for the lawful exploration, development and mining operations necessary for the operation of said mineral property for the extraction of ores and natural resources heretofore named and the marketing of the same, if any.

All of the foregoing property is described in a deed from Charles Houck, a widower, recorded in Book 56 of Deeds, page 15, Official Records of Shoshone County, Idaho.

Lot Three (3) and the Northeast Quarter (NE¼) of Southwest Quarter (SW¼) and the Southeast Quarter (SE¼) of Southwest Quarter (SW¼) of Section Eighteen (18) and the Northeast Quarter (NE¼) of Northwest Quarter (NW¼) of Section Nineteen (19), Township Forty-eight (48) North, Range Two (2) East of Boise Meridian, containing 159.53 acres, known as the George Lightbody Homestead.

B-29, F-38 and Catalena Fraction Unpatented Lode Mining claims, notices of location of which said claims are of record in Book 27 of Quartz Locations, at pages 475, 476 and 477 respectively, official Records of Shoshone County, Idaho.

Monty Fraction, Monty Christo, Olson the Miner, Otto Fraction, Olson the Miner Fraction, and the Rose Bird patented lode mining claims, Mineral Survey No. 3197, United States patent for which is recorded in Book 64 of Deeds, pages 142, 143 and 144, Official Records of Shoshone County, Idaho.

However, excluded from the above is the following:

A portion of the Rose Bird Claim, Survey No. 3197, situated in the SW¼ of Section 17, Township 48 North, Range 2 East B. M., in Shoshone County. Beginning at Corner No. 4 of said Rose Bird Lode which is also the NE Corner of the tract, and running thence South 4° 14' East 240.77 feet to intersection of line 1-4 Gold Standard Lode, Survey No. 2641 to a point; thence South 9° 34' West 144.23 feet to corner No. 1 of said Gold Standard Lode: thence South 77° 48' East 35.41 feet to intersection of line 4-1 Rose Bird Lode; thence S. 4° 04' East 139.19 feet to the South East corner of the tract; thence North 88° 43' 30" West 180 feet to the South West corner of the tract; thence North 4° 04' West 530 feet to the North West corner of the tract; thence South 88° 43' 30" East 180 feet to the North East Corner of the tract and the place of beginning; containing 2.1 acres; recorded in Book 76 of Deeds, Page 31, records of Shoshone County, Idaho.

EXPLORATION PROJECT CONTRACT
HYPOTHEEK MINING & MILLING COMPANY
DOCKET NO. DMEA-2420

EXHIBIT "A"

Description of the Work

The object of this exploration project is to explore, both by drifting on the main vein in the North Adit and by diamond drilling, possible veins running parallel or intersecting the North Adit Vein. The work shall consist of the following projects:

1. Rehabilitate, straighten, and enlarge the first 320 feet of drift in the North Adit.

2. Drift on main vein a distance of 1,000 feet from the present face. If through this drifting or diamond drilling, ore is encountered in veins parallel to or intersecting the main vein, an additional 300 feet of drifting or crosscutting shall be allowed to explore such veins.

3. Excavate three diamond drill stations on the North Adit drift.

4. Drill three to five diamond drill holes with a total footage not to exceed 1,500 feet. The location, length, strike and dip of each hole shall be determined by mutual agreement of the Operator and Government Field Engineers.

The attached maps marked "Figure 1, East Hypotheek" and "Figure 2, East Hypotheek" show the proposed work in relationship to known mine workings and property lines.

Estimated Costs of the Project
(*Indicates allowable maximum)

DETAILS

(1) Independent Contracts

None

(2) Labor, Supervision, Consultants

Schedule waived. Allowance for supervision and consultants not to exceed $420.00* per month.

(3) Operating Materials and Supplies

Schedule waived.

(4) Operating Equipment

To be rented

One Eimco 12B Loader @ $250.00 per month for ten months	$ 2,500.00

Note: The Operator will procure the loader under a rental-purchase agreement, and upon the termination of this Exploration Project Contract, the disposition and other provisions of Articles 11 and 12 thereof will apply to the loader if its purchase has been completed. The Operator agrees to give the Government thirty days written notice if it does not intend to complete the purchase, but agrees to complete it if the Government desires to, and advances any funds necessary therefor. In such event, the aforesaid disposition provisions shall apply only after the Government has first been fully reimbursed for such advances.

To be purchased

One used Air Compressor, Imperial 10, 500 cu. ft.	3,500.00	
One new, 3-ton diesel locomotive	6,000.00	
Four new, 32 cu. ft. rocker type mine cars @ $425.00 each	1,700.00	
Two used Ingersoll-Rand DA-35 drifters @ $500.00 each	1,000.00	$12,200.00*

To be furnished by Operator

The Operator will furnish without cost:

Two, 32 cu. ft. used rocker type mine cars

One, 5 h.p. blower

One bit grinder

All miscellaneous tools and facilities

(5) Rehabilitation and Repairs

None

(6) **New Buildings, Improvements, Installations**

None

(7) **Miscellaneous**

Assaying	$ 1,000.00 *

(8) **Contingencies**

Unforeseen expenditures	5,000.00*

S U M M A R Y

Although the Government will contribute only on the basis of actual costs, the only items estimated on that basis are those set forth in the schedules above and brought forth into this summary in the last four items thereof. The first five items of the summary estimated in terms of units of work include all costs of the work specified other than those costs estimated in terms of actual costs set forth in the last four items of this summary.

Rehabilitate, enlarge and straighten 320 feet of Adit drift @ $8.00/ft.	$2,560.00	
Drift on Main Vein and others, a maximum of 1300 feet @ $30.00/ft.	39,000.00	
Excavate 3 diamond drill stations @ $350.00 each	1,050.00	
Drill 1000 feet AX diamond drill hole @ $4.60 per foot	4,600.00	
Drill 500 feet AX diamond drill hole @ $5.00 per foot	2,500.00	
Operating equipment to be rented	2,500.00	
Operating equipment to be purchased	12,200.00	
Miscellaneous	1,000.00	
Contingencies	5,000.00*	
Total estimated cost of Project		$70,410.00*
Government participation @ 50%		$35,205.00*

OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of _____, County of _____, which is the subject of [redacted]posed Exploration Project [redacted], hereinafter called the "Contract", between the United States of America, hereinafter called the "Government", and

1/ _____

_____

_____

hereinafter called the "Operator"; and

WHEREAS, under certain provisions of said Contract which are set forth on the reverse side hereof, the Government will acquire certain rights and equities which do or may conflict with or be adverse to the interest of the undersigned in said property;

NOW THEREFORE, the undersigned, in consideration of said Contract and as an inducement to the Government and Operator to enter into same, undertakes and agrees as follows:

1. The Government's equity in and right to remove facilities, buildings, fixtures, and equipment, as provided in the Contract, shall prevail over and be prior and superior to any conflicting or adverse rights of the undersigned.

2. The Government's percentage royalty on net smelter returns or other net proceeds realized from ore, concentrates, or metal produced within ten (10) years from the date of the Contract, and the Government's lien for the payment of said percentage royalty shall attach to the mineral deposit and the production therefrom, in the amount of the Government's contribution, not in excess of 2/ $ 35,205.00, all upon the terms and conditions set forth in said Contract.

3. The undersigned shall commit no act nor assert any claim that may contravene or conflict with the lien, claim, or rights of the Government under the provisions of the said Contract. This agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the undersigned.

Dated this [redacted] day of [redacted], 195[redacted]

[redacted]

By [redacted]

[redacted] Lawrence [redacted]

1/ Insert the name of the Operator as it will appear in the Exploration Project Contract.

2/ Insert the maximum amount of the Government's contribution.

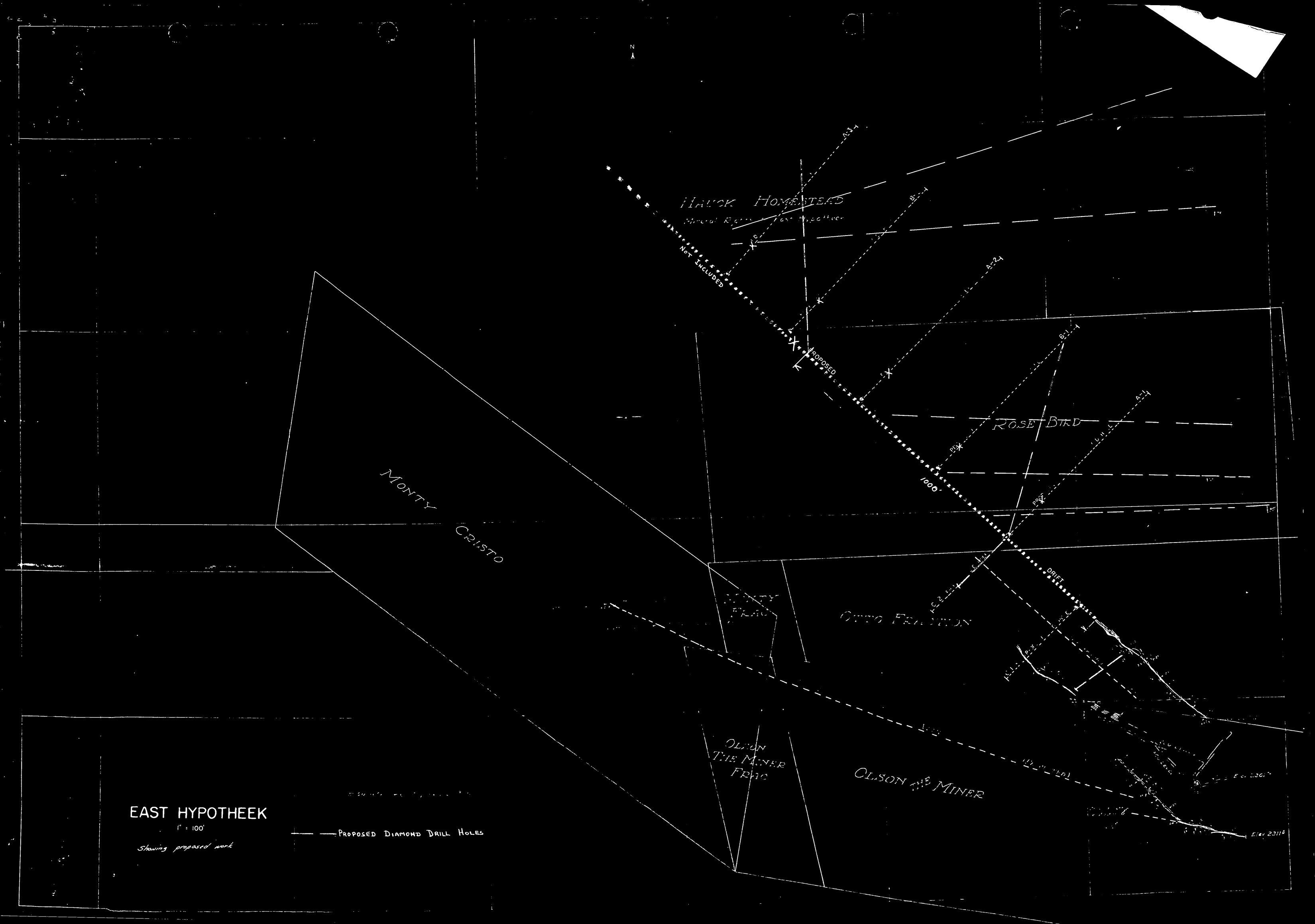
RELEVANT CONTRACT PROVISIONS

Title to and disposition of property. All facilities, buildings, fixtures, equipment, or other items costing more than $50 each, paid for or purchased with funds contributed jointly by the Operator and the Government, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the termination of the contract, if they have any salvage value, shall be disposed of for their joint account unless the Government, in writing, waives its interest in any such items. The Government may require the dismantling, severance from land, and removal of any such items in order to realize its interest in the salvage value thereof, and the cost of any such removal and of the disposal of the items shall be for the joint account of the parties in proportion to their respective interests.

Repayment by Operator. If, upon the completion of the exploration project or termination of the contract, the Government considers that a discovery or development has resulted from the work from which commercial production of ore may be made, the Government, within 6 months thereafter, shall so certify to the Operator, particularly describing and delimiting its estimate of the discovery or the development. Thereafter, if and as ore is produced as a result of such discovery or development, the Operator and his successor in interest shall be and become obligated to pay to the Government a percentage royalty on the net smelter returns or other net proceeds realized from such ore, concentrates, or metal produced within ten (10) years from the date of this contract, until the total amount contributed by the Government, without interest, is fully repaid or said 10 years have elapsed, whichever occurs first, as follows:

> Of net smelter returns or other net proceeds not in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent.
>
> Of net smelter returns or other net proceeds in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent, plus one-half (½) percent for each additional full fifty cents ($0.50) in excess of eight dollars ($8.00) per ton of ore, but not in excess of a maximum of five (5) percent.

This obligation to repay from net returns or proceeds shall be and remain a claim and lien upon the mineral deposit which is the subject of the exploration project and upon any production resulting from such discovery or development, in favor of the Government, until fully paid, or until said 10-year period has elapsed; and this claim and lien and the Government's right to repayment shall survive any termination of the contract, whether by completion of the exploration project or otherwise. This article is not to be construed as imposing any obligation on the Operator or his successor in interest to produce ore from any such discovery or development.


N
HAWK HOMESTEAD
NOT INCLUDED
PROPOSED
A-3-4
B-4
A-2-4
B-1-4
A-4
ROSE BIRD
1000'
DRIFT
MONTY CRISTO
MONTY FRAC
OTTO FRACTION
OLSON THE MINER FRAC
OLSON THE MINER
EAST HYPOTHEEK
1" = 100'
Showing proposed work
PROPOSED DIAMOND DRILL HOLES

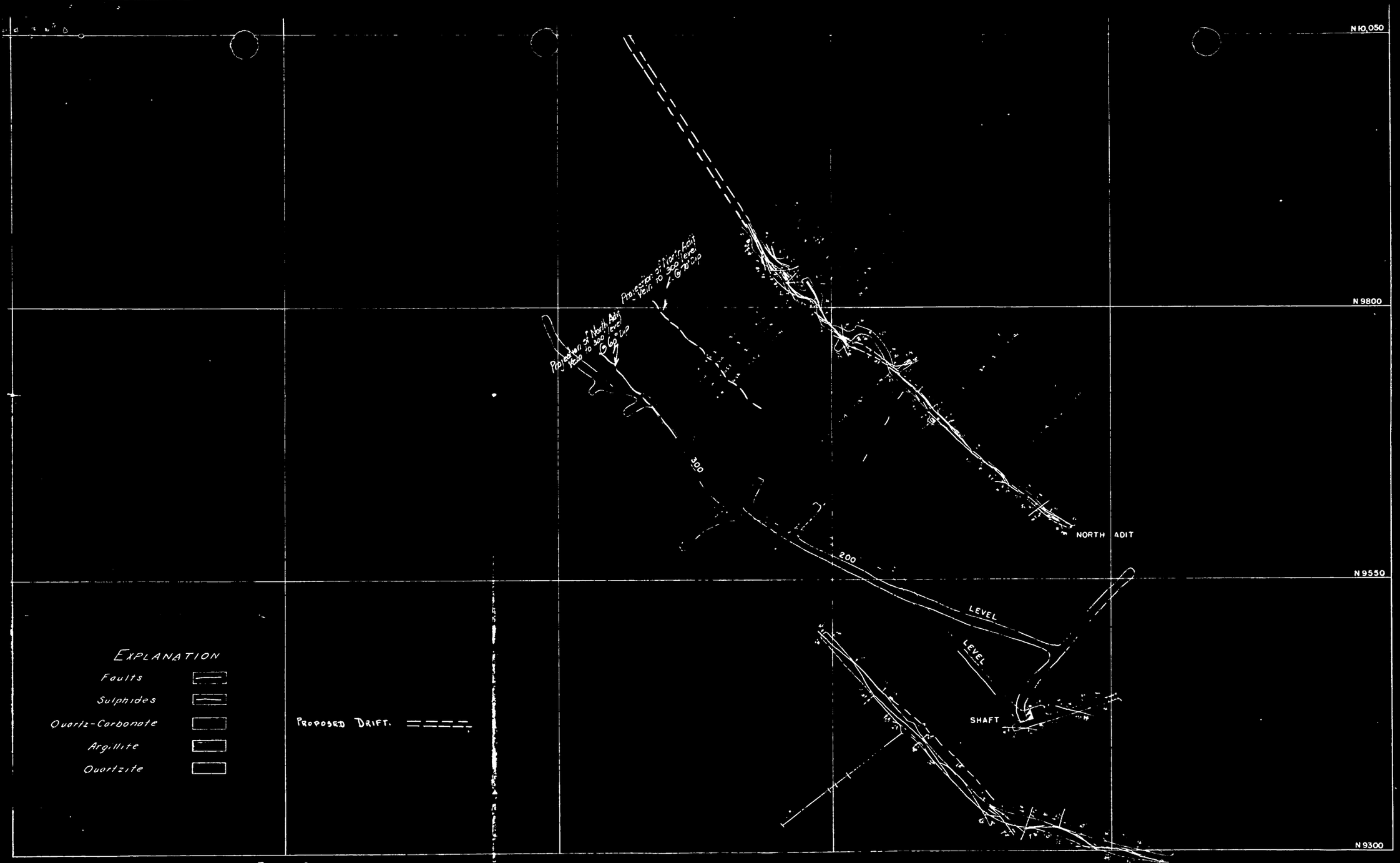


FIGURE 2

EAST HYPOTHEEK

1" = 50

Plan & geology

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

So. 157 Howard Street
Spokane 4, Washington

August 20, 1952

Mr. Frank E. Johnson
Chairman, Operating Committee
DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420 (Zinc-Lead)
Hypotheek Mining and Milling Co.
Shoshone County, Idaho
Contr. No. Idm-E 380

Dear Mr. Johnson:

Enclosed are three copies of subject contract signed by the operator. By copy of this letter, the Regional Fiscal Officer's copy of contract is transmitted.

Incidentally, there were two page 2's in the Finance Copy, and no page 3. The appropriate page was removed from the Field Team copy and an ozalid one put in its place. Attached is the extra page which is probably missing from another copy since all of the copies transmitted herewith (and the Operator's copy) are complete.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosures 1 (in trip.)

cc: Fiscal Officer, Albany w/encl.
USBM

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
1/30	Murphy	500
1/30	Tolbert	800
	Selbridge	120
1/30	Johnson	110
	[illegible]	100
		220

JAN 31 1964

King of Pine Creek Mining Co.
P. O. Box 178
Spokane, Washington, 99210

Re: DMEA-2420 (Zinc-Lead)
Hypothesis Mining & Milling Company
East Hypothesis Mine
Shoshone County, Idaho
Contract Idm-E380

Gentlemen:

Thank you for returning the completed forms dated January 15, 1964.

By the terms of the subject Exploration Project Contract, as amended, and the certification of discovery or development dated October 29, 1954, all minerals mined or produced from August 4, 1952, to August 4, 1963, were subject to the Government's royalty as set forth in said contract.

As the period during which production was subject to royalty has now expired, the Government according to its present records 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 contract.

This is with reference to the Owner's Consent to Lien, dated January 18, 1952, executed by King of Pine Creek Mining Company, Ltd. in consideration of the subject exploration contract.

Sincerely yours,

George Fumich, Jr.

Acting Director

FMMurphy/mm (1/30/64)
cc: Director's Reading File
Region I w/cy of Form 63 dated 1/15/64
CA&A Division
Docket
Code 500

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
1/14	Talbot	800
	Selfridge	120
1/15	Johnson	110
	[illegible]	100
		220

Mr. M. W. Onstine
Secretary
King of Pine Creek Mining Co.
P. O. Box 178
Spokane 10, Washington

JAN 15 1964

Re: DMEA-2420 (Lead-Zinc)
Hypotheek Mining and
Milling Company
East Hypotheek Mine
Shoshone County, Idaho
Contract Idm-E380

Dear Sir:

We note in the request for information forms which were returned to this office you state your company has no knowledge regarding production from the subject property. We fail to understand this statement since Mr. W. T. Anderson, manager of King of Pine Creek Mining Company, returned similar forms on December 27, 1962, with complete information relating to the ownership of the claims and advised that there had been no production from them since September 8, 1959.

With the thought that you may have been referring to another property, we are again enclosing a set of information forms to be completed and returned to this office.

Sincerely yours,

s/F. M. Murphy

F. M. Murphy, Acting Chief
Division of Minerals

Enclosures

FMMurphy/mm
1/14/64
cc: Director's Reading File
Region I w/cy of Form 63 dated Aug. 29, 1963
Docket
Code 500

43683

So. 157 Howard Street
Spokane 4, Washington
January 17, 1965

Memorandum

To: Chief, Fiscal Section, Division of Administrative Services, Office of the Secretary, Washington 25, D. C.

From: Acting Field Officer, Region I

Subject: [illegible] (Zinc-Lead)
Hypothesis Mining & Milling Company
East Hypothesis Mine
Shoshone County, Idaho
Contract I[illegible]

There is enclosed a Report of Royalty Review dated January 8, 1965, covering the subject contract for the period September 9, 1959, through December 27, 1962.

One copy of the report has been retained for the Spokane office files. No copy was provided for the Operator, as the report is for record purposes only.

D. R. MacLaren

Enclosure

DRMacLaren:my

cc: CHAA
[illegible](2)
CPF
Routing copies to:
Salem
Halfway

CITY[illegible] FILE COPY
O. M. E.
RECEIVE[illegible] JAN 27 1965
DATE
Granted 420
500
220

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
		220

JAN 1 1 1963

Memorandum

To: Acting Field Officer, Region I

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

Subject: DMEA-2420 (Zinc-Lead)
Hypotheek Mining & Milling Company
East Hypotheek Mine
Shoshone County, Idaho
Contract Idm-E380

The original and one copy of a Report of Royalty Review covering the subject contract are enclosed. If you concur in the facts stated therein, please make the following distribution:

(a) Original to the Fiscal Section, Division of Administrative Services, Office of the Secretary, U. S. Department of the Interior, Washington 25, D. C.; and

(b) One copy for your files.

This Report of Royalty Review is made for record purposes only; therefore, no copy for the Operator is provided.

As evidence of your concurrence, a copy of your memorandum transmitting the original report to the Fiscal Section should be furnished this Division. If for any reason you do not concur, both copies of the report should be returned to this Division with your comments.

Enclosures

EDTalbert/ama 1-10-63

cc:
Docket
Director's Reading File
CA & A Division
Fiscal Section

43683

ME Form 7
10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	Griswold	500
	Selfridge	120
11/21	Johnson	110
"	Finch	100
		220

NOV 21 1962

King of Pine Creek Mining Company
Wallace
Idaho

Re: DMEA-2420 (Lead-Zinc)
Hypotheek Mining and
Milling Company
East Hypotheek Mine
Shoshone County, Idaho
Contract Idm-E380

Gentlemen:

Concerning the subject contract and with reference to the Owner's Consent to Lien signed by you on January 18, 1952, would you be kind enough to advise us as to any production which may have been made from the property since September 8, 1959. A Form MME 63 is enclosed for your convenience.

Sincerely yours,

W. R. Griswold

W. R. Griswold, Chief
Branch of Minerals

Enclosure

WRGriswold/mm
11-21-62
cc: Director's Reading
Docket
Region I w/2 copies of MM 63
Code 500

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.
~~xxxxxxxxxxxxxxxx~~
So. 157 Howard Street
Spokane 4, Washington

RECEIVED
SEP - 6 1955

September 1, 1955

Mr. Roy K. Kingsbury, Secretary
Hypotheek Mining and Milling Company
510 Bank Street
Wallace, Idaho

Re: Docket No. DMA-2420 (lead-zinc)
Hypotheek Mining and Milling Company
Shoshone County, Idaho
Contract No. Ida-2380

Dear Mr. Kingsbury:

Enclosed for your information and files is a copy of Form A, Disposal of Government's Interest in Property, dated September 1, 1955.

By this form, title to the Government's equity in equipment purchased under Contract No. Ida-2380 is transferred to you. This is in accordance with your bid of June 12, 1954, and the Government's acceptance dated June 28, 1954.

Sincerely yours,

W. S. Weissenborn
Executive Officer, DMA
Field Team, Region 1, NW Dist.

Enclosure

cc: DMA (3) w/enclosures
USBM (AD) do
USBM (2)
Campbell

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.
~~XXXXXXXXXXXXXXXXXX~~
No. 157 Howard Street
Spokane 4, Washington

RECEIVED
SEP - 6 1955

August 30, 1955

Hypothesis Mining and Milling Company
510 Bank Street
Wallace, Idaho

Re: Docket No. DMEA-2420 (lead-zinc)
East Hypothesis Mine
Shoshone County, Idaho
Contract No. Idm-1380

Gentlemen:

We are enclosing copies of an audit certificate and report dated July 25, 1955, pertaining to Exploration Project Contract No. Idm-1380 for the period of August 4, 1952, to August 4, 1954, inclusive, and the subsequent disposition of project property by DMEA auditor George Mavor.

Sincerely yours,

A. F. Weissenborn
Executive Officer, DMEA
Field Team, Region I, [illegible] Dist.

Enclosures
cc: DMEA (2)
USBM (2)
Turner (2)
Campbell

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 14 1955

XXXXXXXXXXXXXXXXXX
So. 157 Howard Street
Spokane 4, Washington

March 8, 1955

Mr. Roy N. Kingsbury
Hypothesis Mining and Milling Company
510 Bank Street
Wallace, Idaho

2420

Re: Docket No. DMEA-~~2424~~ (lead-zinc)
Hypothesis Mining and Milling Company
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Kingsbury:

The Field Team is currently reviewing the status of contracts which are inactive but which have not been officially terminated. No more contract work remains to be done but a review of the East Hypothesis docket shows that the last "Operator's Monthly Progress Report", Form MF-104, was submitted by you for the period July-August 1953. If an accounting for any approved work accomplished since that report is not received by April 1, 1955, the Field Team must assume that no obligation to you is outstanding and will initiate proceedings to terminate the contract on the basis of claims already submitted by you.

We should like to remind you also that until payment of $473.21 is received by the Government or until that amount is deleted from a sum properly claimed by you in an invoice, a receipt cannot be issued assigning jointly-owned equipment to you.

By Field Team, Region I, NW District

A. E. Weissenborn, Executive Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: DMEA (2)
USBM (2)
USBM(AD)
Campbell

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

May 18, 1955

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420 (lead-zinc)
Hypotheek Mining & Milling Company
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Selfridge:

The Field Team feels that this office already has all pertinent maps and information on the project covered by the cited contract, and that a final report by the Operator would serve no useful purpose. Therefore, the requirement for a final engineering and geological report from the Operator, as called for in the contract, is hereby waived.

The exploration was relatively unsuccessful but a Certification of Discovery or Development was issued October 29, 1954.

By Field Team, Region I, NW District

A. E. Weissenborn

A. E. Weissenborn, Executive Officer
U. S. Geological Survey

Wing G. Agnew

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: USBM (2)
USBM(AD)
Campbell

Hypotheek Mining & Milling Company

OFFICE: WALLACE, IDAHO MINES: KINGSTON, IDAHO

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 23 1955

Wallace, Idaho Marxh 22, 1955.

Mr. A. E. Weisenborn,
Executive Officer, DMEA,
So. 157 Howard Street,
Spokane 4, Washington.

Dear Mr. Weisenborn:

We hand you herewith, 6 copies, report on last operations under our DMEA contract.

In this connection, please refer to your letter of June 28, 1954, confirming your sale to us of equipment, and method of applying funds in payment therefor.

On behalf of our company, I wish to extend to you our sincere thanks for the many courtesies extended to us by you and the members of your staff.

Sincerely,

Hypotheek Mining & Milling Co.

Roy H. Kingsbury

Roy H. Kingsbury, Secy-Treas.

DMEA

File Copy
Surname

500

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

JAN - 6 1955

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypothesis Mining and Milling Co.
East Hypothesis Mine
Shoshone County, Idaho
Contract No. Idm-E360

Dear Mr. Weissenborn:

We have your letter of December 10 relative to the milling of ore and marketing of concentrate from a stockpile made prior to the signing of the cited contract.

In this particular case such material is not subject to royalty payments to the Government.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee
WRGriswold/er 1/5/55

APPROVED:

J. H. Hedges
Member, Bureau of Mines

Thor H. Kiilsgaard
Member, Geological Survey

Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

MF-[illegible]

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 12/29/54

REFERRED TO:

1. Administrator
2. [illegible]
3. ~~[illegible]~~
4. Seffridge

FOR:

---------- Action	---------- Recommendation
---------- Approval	---------- Record of ----------
---X--- Comment	---------- Referring to ----------
---------- Conference	---------- Reply for signature of ----------
---------- Consideration	---------- Rewriting
---------- Filing	---------- Signature
---------- Instructions	---------- Suggestions
---------- Investigation	---------- Your information
---------- Initials	
---------- Mailing	
---------- Previous correspondence	

REMARKS: We would welcome also specific questions regarding the Burma Jade. Please let us know if we can be of further assistance. [illegible]

Check (X) before the items needing attention.

[illegible] W. R. Griswold

[illegible] production [illegible] [illegible] [illegible] (clyl) *Initials of sender.*

GPO 16—63815-1

[illegible]

UNITED STATES 500
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

December 29, 1954

Memorandum

To: Administrator

From: Chief, Base Metals Division

Subject: Proposed circular "Stockpiled Ore, Mine Dumps, and Tailings —Liability for Royalty"

I refer you to the attached memorandum from Mr. Hofflund, dated December 28. It is my understanding that I cannot yet forward this to Mr. Weissenborn in reply to his letter of December 10, with reference to the Hypotheek Mining and Milling Company, Docket No. DMEA-2420. Am I correct?

YES

W. R. Griswold

W. R. Griswold

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

DEC 20 1954

Memorandum

To: The Administrator, DMEA

From: Acting Assistant Solicitor, Defense Minerals

Subject: Proposed circular "Stockpiled Ore, Mine Dumps, and Tailings--Liability for Royalty"

In a memorandum to you dated October 14 concerning Docket No. DMEA-2343, Contract Idm-E333, George Jump, I indicated that "I will send shortly to the Administrator an opinion on this subject /the subject of the proposed circular/ in broader terms and for application to all contracts . . ." The problem has again been presented in a memorandum from Mr. Griswold to me dated December 21 with respect to Docket No. DMEA-2420, Contract Idm-E380, Hypothesis Mining and Milling Company, which made reference to a letter from Mr. Weissenborn to Mr. Selfridge dated December 10.

I believe that the proposed circular will satisfactorily answer all questions on the point, and will serve as a useful reference to such problems as may arise in the future.

Before this proposed circular is finally promulgated I will want to route it through Mr. Parriott for approval.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

Attachments 4
JLHofflund/emd
Copy to: DMEA Docket
Solicitor's Docket
J. D. Parriott
J. L. Hofflund
W. R. Griswold
chron.

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

DMEA Circular _____

Exploration Project Contracts--

Stockpiled Ore, Mine Dumps, and Tailings--

Liability for Royalty

1. The following rules apply with respect to exploration contracts which contain no special provisions to the contrary. By special provisions in the contract, the Government's royalty may be made to cover any or all stockpiled ore, mine dumps, or tailings.

2. The Government's royalty claim attaches to all ore as soon as it is "mined or produced," i.e., "extracted from the ground." If the ore is to be processed thereafter by the operator or for his account (as, by milling or smelting), the claim for royalty follows to the end product (as, concentrates or metal). The royalty claim may not mature (become due and payable) until the material is sold, although under later contract forms the Government may enforce its claim against the value of stockpiled material.

3. Ore has been "mined" and "produced" within the meaning of an exploration contract when it has been "extracted from the ground."

4. The Government's royalty attaches only with respect to ore which was "mined or produced" after the date of the contract. Conversely, the Government's royalty does not attach with respect to any ore "mined or produced" before the date of the contract, regardless of whether such ore is processed before or after the date of the contract (as, by milling or smelting).

> NOTE: It follows that any ore "mined or produced" before the date of the contract, and the proceeds or products therefrom, whether concentrates, metal, or money; whether the material is stockpiled, on a dump, or in a tailings pond, are all clear and remain clear of any claim for royalty.

5. The Government's percentage royalty is taken on the proceeds from material sold or the value of material not sold (stockpiled), pursuant to the provisions of the particular contract form involved.

6. Although a mine dump or tailings pond which results from ore "mined or produced" after the date of the contract may have no value as of the date that the mine dump or tailings pond was made or formed,yet if it

acquires a value within the term of the exploration contract (ordinarily 10 years from the date of the contract) the Government's claim for royalty will attach thereto or to the proceeds therefrom, as the case may be.

NOTE: No doubt this would be an unusual situation under present conditions, but it is stated for illustrative purposes.

Administrator

Chairman, Operating Committee

Approved:

Member, Bureau of Mines

Member, Geological Survey

File Copy
Surname

500

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

December 21, 1954

Memorandum

To: Acting Assistant Solicitor, Defense Minerals

From: W. R. Griswold, Chief, Base Metals Division

Subject: Docket No. DMEA-2420, Hypothesk Mining and Milling Company, Contract No. Idm-E380

We call your attention to Mr. Weissenborn's letter dated December 10, in which he requests a precise ruling on certain phraseology used in Article 9 of the contract. May we have your comments.

W. R. Griswold
W. R. Griswold

WRGriswold/bjl

Copy to: Docket
Base Metals
Chron.

File Copy
Surname

Griswold
Porter
Chandler
Kilsgaard
Hedges
Selfridge
Johnson

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

NOV 1 - 1954

Mr. Roy H. Kingsbury, Secretary
Hypotheek Mining & Milling Co.
Wallace, Idaho

INTERIOR DEPT.
AUG 30 1954
SOLICITOR

INTERIOR DEPT.
SEP 8 - 1954
SOLICITOR

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Kingsbury:

Transmitted herewith is a certification of discovery or development related to the Exploration Project Contract No. Idm-E380, dated August 4, 1952, on the lands described in the contract.

By the terms of the Exploration Project Contract and of the Certification, all production from the land described in the contract after August 4, 1952, the date of the contract, is subject to the Government's percentage royalty as set forth in the said contract until the sum which the Government has advanced as its participating interest is repaid, or until August 4, 1963, whichever occurs first.

Payments should be made to Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region II, South 157 Howard Street, Spokane 4, Washington. Checks should be drawn in favor of the Defense Minerals Exploration Administration. The purchaser should be advised to deduct royalties from the amount due on each shipment and forward the checks to the Executive Officer.

Royalty payments to the Government should be accompanied by suitable evidence, such as copies of settlement sheets, showing quantity and grade of the products sold, the name of the purchaser, and the price and charges, certified to be correct by the purchaser.

You are requested to notify Mr. Weissenborn of any changes in ownership or production rights that might affect the Government's right to its percentage royalty. Also, if production ceases at any time for an extended period please notify Mr. Weissenborn at six-month intervals that such is the case.

Sincerely yours,

C. O. Mittendorf (fw)
Administrator

Enclosure

King of Pine Creek Mng. Co.
Base Metals
W. R. Griswold
Chron.

Op. Committee
Cont.Adm.&Audit
Finance Office
Region II (2)
Mr. F. E. Johnson

WRGriswold/bjl (8/30/54)
Copy to: Docket
Mr. Gumbel, Dr., MD, EPS
Mr. Hedges, 4604
Mr. Kilsgaard, Rm. 5222
Admr. R. File

R.C.G.

File Copy
Surname

Griswold
Chamberlin
Kiilsgaard
Hedges
Selfridge

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

NOV 1 1954

Mr. C. C. Anderson, President
King of Pine Creek Mining Co.
Wallace, Idaho

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-F380

Dear Mr. Anderson:

For your information, we are enclosing a copy of a certification of discovery or development covering the cited property, which has been sent to the Hypotheek Mining & Milling Co. We are also enclosing a copy of our letter of transmittal of this certification.

Sincerely yours,

C. O. Mittendorf (for)

Administrator

Enclosures 2

WRGriswold/bjl (8/25/54)

Copy to: Docket
Admr. R. File
Op. Committee
Mr. Hedges (4604)
Mr. Kiilsgaard (5227)
Base Metals
Region II (2)
Chron.

R.C.G.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

September 21, 1954

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Company
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Selfridge:

Enclosed are the original and two signed copies of Amendment No. 5 to the above-cited contract.

Distribution of this amendment is being made in the usual manner.

Sincerely yours,

John S. Vhay

John S. Vhay
Acting Executive Officer
DMEA Field Team, Region II

Enclosure

cc: Finance Office w/encl.
USBM (2)
Campbell

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
SEP 13 1954

XXXXXXXXXXXXXXXXXX
Rm. 157 Howard Street
Spokane 4, Washington

September 10, 1954

Mr. Roy H. Kingsbury
Hypothesis Mining & Milling Company
Wallace, Idaho

Re: Docket No. DMEA-2420 (lead-zinc)
East Hypothesis Mine
Shoshone County, Idaho
Contract No. Idm-2380

Dear Mr. Kingsbury:

Enclosed are the original and 6 copies of proposed Amendment No. 5, with Annex II, which extends the completion date of the above-cited contract for two months. If the terms and conditions of this amendment meet with your approval, please sign all copies, retain that copy marked for the Operator and return the remaining copies to this office.

This will also notify you that the Government will participate in north drilling to the extent of remaining contract funds, but will not participate in any south drilling.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosures

cc: DMEA (2)
UEBM (2)
Campbell

File Copy
Surname

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

N.S. in B.R.

September 8, 1954

Memorandum

To: Acting Assistant Solicitor, Defense Minerals

From: Chief, Base Metals Division

Subject: Certification of Docket No. DMEA-2420, Hypotheek Mining & Milling Co., Contract No. Idm-R380

I have your memorandum of September 2 relative to the inadequacy of the above certification.

Actually, this is a borderline case; our data is so incomplete that I had first asked that it be covered by a "pseudo-certification". However, Mr. F. E. Johnson felt that a standard certification was in order and, hence, it was so prepared.

After receiving your memorandum, I have again gone through our files, but I find little additional information. However, I have added the following clause to the description:

"occurring within a vein in metamorphic rocks."

We hope that this revision proves to be satisfactory.

W. R. Griswold

W. R. Griswold

WRGriswold/bjl

Copy to: Docket
Base Metals
Admr. R. File
Opx Chron.

File Copy
Surname
J. W. All.
Martin
500 Received
J. E. Johnson
McHenry

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

AUG 27 1954

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-F380

Dear Mr. Weissenborn:

We are enclosing the original and five copies of Amendment No. 5, with Annex II, to the cited contract, which have been signed by this office for the Government. This is in accordance with your teletype of August 2, 1954.

If the amendment meets with your approval, kindly present it to the Operator for approval and signature and, when completed, distribute the copies in the usual manner. In the event that the amendment is not satisfactory and cannot be amended within your delegated authority, return all copies with your recommendation concerning any modification.

Sincerely yours,

W. S. Martin

ACTING Chairman, Operating Committee (JHB)

Enclosures 6

JWAlt/bjl (8/9/54)

APPROVED:

J. H. Hedges

Member, Bureau of Mines (JHB)

Philip W. Guild

Member, Geological Survey (PWG)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
~~MxxxKinkel~~
Mr. Gildersleeve
Mr. Bishop
Chron.

R.G.S.

EXPLORATION PROJECT CONTRACT
HYPOTHEEK MINING & MILLING COMPANY
DOCKET NO. DMEA-2420

ANNEX II

The following provisions are in lieu of Article 9:

Repayment by Operator.--a. Certification.--A certification of discovery or development is hereby waived.

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 described in Article 2 of the Contract for a period of eleven 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

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

500

August 16, 1954

Memorandum

To: Acting Assistant Solicitor, Defense Minerals

From: Chief, Base Metals Division, DMEA

Subject: Docket No. DMEA-2420, Hypotheek Mining & Milling Co., Contract No. Idm-E380

At our request you prepared the attached Amendment No. 5, including a "pseudo-certification".

However, Mr. F. E. Johnson believes that, in this instance, there is sufficient ore delineation for us to certify in the usual manner.

Will you therefore be kind enough to rewrite the amendment, omitting the "pseudo-certification", and we will subsequently certify.

W. R. Griswold

W. R. Griswold

WRGriswold/bjl

Copy to: Docket
Base Metals
Chron.

File Copy
Surname

500

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

N. S. in R.R.

August 4, 1954

Memorandum

To: Acting Assistant Solicitor, Defense Minerals

From: Chief, Base Metals Division

Subject: Docket No. DMEA-2420, Hypotheek Mining and Milling Company, Contract No. Idm-E380 — request for amendment

Will you kindly prepare an amendment as requested in Mr. Weissenborn's teletype of August 2, extending the completion period to October 4, 1954.

Also, will you embody a "pseudo-certification" into such amendment.

W. R. Griswold

W. R. Griswold

WRGriswold/bjl (8/4/54)

Copy to: Docket
Base Metals
Chron.

File Copy
Surname
Griswold
Guild
Hedges
Selfridge

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

AUG 4

TELETYPE

WRGriswold/bjl, Ext. 3669, Rm. 4058

Base Metals, DMEA, Interior

XXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXX XXXXXXXXXXXX

14X4401(01) Revolving Fund, Defense Production Act, Interior (allocated Working Fund to Office of the Secretary)

Date:

To: A. W. Weissenborn, Executive Officer, DMEA Field Team, Region II, Seattle, Washington

Reurtt August 2, Docket DMEA-2420, Hypotheek Mining and Milling Company, Contract Idm-E380. We will prepare requested amendment for two-month extension of completion time.

George C. Selfridge
Chairman, Operating Committee

(written 8/4/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Gildersleeve
Chron.

R.C.G.

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

[illegible]
[illegible] Street
[illegible] 4, Washington

[illegible] 2, 1954

[illegible] Secretary
[illegible] & Mining Company
[illegible] Street
[illegible]

Re: [illegible] 240 (Lead-Zinc)
[illegible] & Mining Co.
Shoshone County, Idaho
Contract No. [illegible]

Dear Mr. [illegible]:

We have just received a telatype from our [illegible] office stating that they will prepare an amendment extending the exploration date of the above-cited contract for one month.

We trust that this is sufficient time to complete the [illegible] drilling on your contract.

Very sincerely,

[illegible]
Executive Officer [illegible]
Field [illegible] Section II

cc: [illegible](2)
[illegible](2)
Campbell

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 3 - 1954

April 28, 1954

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Selfridge:

Enclosed are the original and two signed copies of Amendment No. 4 to the above-captioned contract.

Distribution of this amendment is being made in the usual manner.

Sincerely yours,

Thor H. Kiilsgaard

Thor H. Kiilsgaard
Acting Member, DMEA
Field Team, Region II

Enclosure

cc: Finance Office w/encl.
USBM (2)
Campbell

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

April 19, 1954

Hypothesis Mining & Milling Company
510 Bank Street
Wallace, Idaho

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypothesis Mining & Milling Company
Shoshone County, Idaho
Contract No. Idm-E380

Gentlemen:

Enclosed herewith are several copies of proposed Amendment No. 4 to the above-captioned contract, signed by the Administrator for the Government. If the terms and conditions of this amendment meet with your approval, please see that all copies are properly signed, retain that copy marked for the operator and return the remaining copies to this office.

The amendment allows that work under the contract shall be suspended during the period beginning April 1, 1954, the date upon which work was to be resumed under Amendment No. 3, and ending not later than July 1, 1954. During this period, of course, the Government will not participate in any costs incurred by the operator, nor will it contribute to any costs of rehabilitation or repair which in its opinion would not have occurred if there had been no suspension of work. If work is not resumed by July 1, 1954, there is a provision in the amendment whereby the contract is terminated.

Sincerely yours,

Thor H. Kiilsgaard
For: A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosure

cc: DMEA (2)
USBM (2)
Campbell

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

500

Griswold
Chamberlain
Selfridge
Fitzsimmons

APR 15 1954

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-E330

Dear Mr. Weissenborn:

With reference to your letter of March 31, we are enclosing the original and five copies of Amendment No. 4 to the cited contract, which we believe is in line with your recommendations.

If the amendment meets with your approval, kindly present it to the Operator for signature and, when completed, distribute the copies in the usual manner. However, in the event that it should not meet with your approval, please return all copies to this office with your comments.

Sincerely yours,

George C. Selfridge (SHB)
Chairman, Operating Committee

Enclosures 6

WRGriswold/bjl (4/12/54)

APPROVED:

J. H. Hedges
Member, Bureau of Mines (SHB)

D. M. Larrabee
Member, Geological Survey SHB

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kinkel
Chron.

P. S. Final settlement should not be made until Operator supplies maps and drill hole logs as requested by the Field Team under date of January 18, 1954.

R.C.B.

Frank: Incorporation of former recesses into last-policy? 4/14/54 — Rubin

advises not necessary — says that provision covers former recess period. — Actually, previous (any) amendment covers cost incurred

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

500

N.S. in R.R.

April 7, 1954

Memorandum

To: Chief Counsel

From: Chief, Base Metals Division

Subject: Docket No. DMEA-2420, Hypotheek Mining & Milling Co., Contract No. Idm-E380

Referring to the March 31 letter from Mr. A. E. Weissenborn, will you kindly prepare Amendment No. 4 to the cited contract, providing that:

1. Recess period be extended to July 1, 1954.

2. Failure to start work by such date will terminate the contract.

3. If work is not started by such date a "pseudo certification" becomes effective.

W. R. Griswold

W. R. Griswold

WRGriswold/bjl

Copy to: Docket
Base Metals
Chron.

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

xxxxxxxxxxxxxxxxxx
So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 22 1954

January 18, 1954

Mr. Roy H. Kingsbury, Sec'y-Treas.
Hypotheek Mining and Milling Company
510 Bank Street
Wallace, Idaho

Re: Docket No. DMEA-2420 (lead-zinc)
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Kingsbury:

A recent review of our files concerning your DMEA exploration contract at the East Hypotheek property indicates that you have not yet complied with the DMEA Field Team's request of August 19, 1953, that you submit up-to-date geologic maps of the mine.

As Mr. Veral Hammerand's services were under the terms of the exploration contract, it is required that copies of his maps and drill core logs be submitted to the Government. Until copies of all maps and logs are submitted, it will be impossible for the Field Team to evaluate the possibilities of further exploration at the mine following the current recess.

If extra copies of such maps and drill logs are not readily available to you, one copy should be sent to this office for reproduction and could then be returned to you.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: DMEA (2)
USBM (2)
Campbell

Spokewood
Betty

1201 N. Division St.
Spokane 2, Washington
December 1, 1953

C O P Y

Hypotheek Mining and Milling Company
510 Bank St.
Wallace Idaho

Subject: Docket No. DMEA-2420
Contract Idm-E380
July-August 1953 Invoice

Gentlemen:

The subject invoice has been received and processed. However, payment is being whitheled until an audit of your records is made by a representative of the Contract and Audit Division of the Defense Minerals Exploration Administration.

This is standard procedure for all contracts as the project nears completion. We are obliged to withhold a portion of the Government's contribution to the cost pending disposition of jointly-owned equipment and final accounting.

By Field Team, Region II

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

M. E. Volin, Member
U. S. Bureau of Mines

C
O
P
Y

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

October 16, 1953

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Selfridge:

Attached are the original and two signed copies of the Amendment No. 3 to the subject contract.

Distribution of this amendment is being made in the usual manner.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Attachment

cc: Finance Officer w/encl.
USBM (2)
Campbell

10-19

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION
WASHINGTON 25, D. C.
~~XXXXXXXXXXXXXXXXXX~~
So. 157 Howard Street
Spokane 4, Washington

October 2, 1953

Hypotheek Mining & Milling Co.
510 Bank Street
Wallace, Idaho

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
Shoshone County, Idaho
Contract No. Idm-E380

Gentlemen:

Enclosed herewith are the original and five copies of proposed Amendment No. 3 to the above-captioned contract, signed by the Acting Administrator for the Government.

If the terms and conditions of this amendment meet with your approval, please sign all copies, retain that copy marked for the Operator and return the remaining copies to this office.

If any part of this proposed amendment does not meet with your approval, please return the original and all copies to this office with your comments.

Sincerely,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosures

cc: DMEA (2)
USBM (2)
Campbell

FILE COPY
SURNAME:

500

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

SEP 28 1953

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypothesis Mining & Milling Co.
Shoshone County, Idaho
Contract No. Idm-K380

Dear Mr. Weissenborn:

Referring to Mr. Kiilsgaard's letter of September 9, 1953, we enclose the original and five copies of Amendment No. 3 to the project contract which we believe comply with the Field Team recommendations.

If the amendment is satisfactory to you, will you kindly present it to the Operator for approval and signature and distribute the copies in the usual manner. If you desire certain changes, and if such changes do not fall within the scope of your delegated authority, please return all copies to us with your recommendations.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures 6

WRGriswold/bjl (9/22/53)

APPROVED:

J. H. Hedges

Member, Bureau of Mines

A. R. Kinkel, Jr.

Member, Geological Survey

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kinkel
Chron.

R.C.G. 9-28-53

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

FILE COPY
SURNAME:

Griswold
Selfridge

DMEA

WRGriswold/bjl
3669 4058

September 24, 1953

A. E. Weissenborn, Executive Officer, DMEA Field Team, Region II, Spokane Washington

Re Docket No. DMEA-2420, Hypothesis Mining & Milling Co., Contract No. Idm-E380. In view of recess and proposed leasing, we consider certification advisable if possible. Please forward assays of two diamond drill hole ore intersections.

George C. Selfridge
Chairman, Operating Committee

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Audits
Mr. Bishop
Mr. Kinkel
Chron.

R.C.G. 9-24-53

FILE COPY
SURNAME:

500

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

September 18, 1953

N.S. in R.R.

Memorandum

To: Chief Counsel

From: Chief, Base Metals Division

Subject: Docket No. DMEA-2420 (Lead-Zinc), Hypotheek Mining and Milling Company, Shoshone County, Idaho, Contract No. Idm-E380

As recommended by Mr. Weissenborn, will you kindly prepare an Amendment No. 3 to the above contract which will recess work from August 4, 1953 (present contract terminal date) to April 1, 1954. Also please extend completion period from 12 to 24 months.

W. R. Griswold

W. R. Griswold

Copy to: Docket
~~Admxxx Rxxfx~~
Base Metals
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D. C.~~
So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
(RECEIVED)
SEP 14 1953

September 9, 1953

Mr. Ernest W. Ellis, Acting Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420(Lead-Zinc)
Hypotheek Mining & Milling Co.
Shoshone County, Idaho
Contract Idm-E380

Dear Mr. Ellis:

We have been informed by the Operator that he wishes to recess project work until next spring. He states that he is financially unable to continue at this time but believes that his financial condition will have improved by next March or April.

The project is only partially completed and to date has not yielded sufficient information to warrant Certification of Discovery. We believe, however, that the target has not been adequately tested and that more work should be done.

As we do not have authority to grant such an extended recess, we are hereby requesting approval for the recess from the Operating Committee.

Sincerely yours,

Thor H. Kiilsgaard

Thor H. Kiilsgaard
for A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: USBM(2)
Campbell

NON-PRIVILEGED DOCUMENT

TO BE PHOTOCOPIED AND PRODUCED

DO NOT CODE

BATES NO. USGSPD0000404

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

September 9, 1953

Hypotheek Mining & Milling Co.
510 Bank Street
Wallace, Idaho

Re: Docket No. DMEA-2420(Lead-Zinc)
Contract Idm-L380
Shoshone County, Idaho

Gentlemen:

We have been advised by our field man, Mr. Art Campbell, that you intend to lease that part of the Hypotheek mine including the shaft and the lower levels to another party. Mr. Campbell states that you have inquired of him as to whether you should pay royalty on ore which might be extracted during this leasing agreement.

To date, we do not believe that DMEA exploration at the Hypotheek mine has exposed sufficient ore to warrant Certification of Discovery. However, as the contract is not completed and as we are informed that you intend to do additional work both to the north and to the south, there remains the possibility that a discovery may be made. As the contract covers the entire mine and not certain areas within the mine, certification would pertain to all production from the mine. Such certification would, of course, cover that ore pierced by the two diamond drill holes put down below the DMEA level and from which, as we understand it, the lessees propose to mine ore.

It is, therefore, suggested that your company keep account of all ore mined by these lessees both by tonnage and grade so that if a certification is made as a result of future work, you will be prepared to make royalty payments to the Government on all ore extracted from the mine since the date of the contract.

Mr. Campbell has also informed us that you wish to recess work on your project until next spring. We do not have authority to grant such a recess and, therefore, are referring to our Washington office for their approval. We shall advise you of the outcome of this correspondence.

Very truly yours,

Thor H. Kiilsgaard
for A. B. Weissenborn, Exec. Officer
DMEA Field Team, Region II

cc: [illegible] (2)
DMEA (2)
Campbell

Docket Copy

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

April 9, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
(Spokane)
APR 13 1953

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
Contract Idm-E380

Dear Mr. Selfridge:

Attached are the original and two signed copies of Amendment No. 2 to the subject contract, with attached justification.

Distribution of this amendment has been made in the usual manner.

Sincerely yours,

RECEIVED
APR 22 1953
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

A. E. Weissenborn
A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosure

cc: USBM (2)
Campbell

Case
4-13

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS ADMINISTRATION
WASHINGTON 25, D. C.
[redacted]
So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 10 1952

November 7, 1952

Mr. Sig Torkelson
Hypothesis Mining & Milling Company
Wallace, Idaho

Re: Docket DMEA 242 (Zinc-Lead)
East Hypothesis property
Shoshone County, Idaho
Contract Idm-838

Dear Mr. Torkelson:

Enclosed is your copy of Amendment No 1 to your Exploration Project Contract

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosure

cc: DMEA (2)
USBM (2)
Fryklund

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION
WASHINGTON 25, D. C.
[redacted]
So. 127 Howard Street
Spokane 4, Washington

Sue
Docket Copy

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 10 1952

November 7, 1952

Mr. Frank E. Johnson, Chairman
Operating Committee, DMA
Department of the Interior
Washington 25, D. C.

Re: Docket [illegible]-242 (Zinc-Lead)
Hypothesis Mining & Milling Co.
Shoshone County, Idaho
Contract Idm-538

Dear Mr. Johnson:

Enclosed are the original and two signed copies of Amendment No. 1 to the subject contract.

A copy of the amendment has been retained by the Operator, a copy is being retained for the files of this office, and by a carbon copy of this letter, the Regional Fiscal Officer's copy is being distributed.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMA
Field Team, Region II

Enclosure

cc: USBM (2)
Reg. Fiscal Officer w/encl.
Fryklund

RECEIVED
NOV 19 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

FILE COPY
SURNAME:

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

Keating
Chambers
Hofflund

SEP 25 1952

Mr. A. M. Weissenborn
Executive Officer, Region II
DMEA Field Team
South 157 Howard Street
Spokane 8, Washington

Re: Docket No. MMH-2420 (Zinc-Lead)
Hypotheek Mining and Milling Co.
Contract No. Idm-1380

Dear Mr. Weissenborn:

Mr. Selfridge has reported his conversation with you regarding your request for clarification of the manner of payments to be made to the Operator as set forth in Exhibit "A" of the above-numbered contract.

All the estimates in Exhibit "A" are made on the unit cost basis, except the last four items mentioned in the summary. However, everything is to be paid for on actual cost basis.

Sincerely yours,

Ernest Wm. Ellis (B. H.) 9-25-52

ACTING Chairman, Operating Committee

APPROVED:

C. H. Johnson (B. H.)
Member, Bureau of Mines

A. R. Kinkel, Jr. (B. H.)
Member, Geological Survey

AEKane/AGKeating/bw
(written 9/23/52)
cc to: Docket
Adm. R. File
Operating Committee
Mr. Keller (2)
Mr. Bishop
Mr. McKnight
Mr. Hofflund
Mr. Kane
Chron.

FILE COPY
SURNAME:

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

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE Sept 12 '52

REFERRED TO:
1. Hoffland 4627
2.
3.
4.

FOR:

..... Action	..... Recommendation
..... Approval	..... Record of .....
..... Comment	..... Referring to .....
..... Conference	..... Reply for signature of .....
..... Consideration	..... Rewriting
..... Filing	..... Signature
..... Instructions	..... Suggestions
..... Investigation	..... Your information
..... Initials	
..... Mailing	
..... Previous correspondence	

RECEIVED
SEP 15 1952
GENERAL COUNSEL
DEFENSE MINERALS ADMINISTRATION

REMARKS: Will you kindly write Mr. Wansenborn your interpretation of this contract.

Check (X) before the items needing attention.

Initials of sender.

GPO 16—63815-1

The Friendly
Hotel Finlen
BUTTE, MONTANA

September 3, 1952

Dear Frank:

Will you please see that Weissenborn receives a detailed interpretation of the Hypotheck Contract I dm-E 380 at your earliest convenience. They are not sure how the first items are to be paid, unit costs or not. The auditor and the members did not agree with my interpretation.

I haven't seen anything startling as yet. I think the lack of sampling in some cases should be corrected. We see the Birdie and Lost Creek today and Browns Lake tomorrow. Will be in Salt Lake City Monday or Tuesday at latest.

Kind regards,

Sincerely
G. Alfredge

FILE COPY
SURNAME:

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

Keating
Johnson
Hoffland
Mitt

Mr. A. E. Weissenborn
Executive Officer, Region II
DMEA Field Team
South 157 Howard Street
Spokane 8, Washington

Re: Docket No. DMA-2420 (Zinc-Lead)
Hypothesis Mining and Milling Co.
Contract No. Idm-E380

Dear Mr. Weissenborn:

Mr. Selfridge has reported his conversation with you regarding your request for clarification of the manner of payments to be made to the Operator as set forth in Exhibit "A" of the above-numbered contract.

Although all the estimates in Exhibit "A" are made on the unit cost basis, except the last four items mentioned in the summary, everything is to be paid for on actual cost basis.

Sincerely yours,

(signed) FRANK E. JOHNSON
Chairman, Operating Committee

APPROVED:

J. H. Hedges
Member, Bureau of Mines

T. P. Thayer
Member, Geological Survey

AEKane/mef
9/18/62
cc to: Mails and Files
Adm. R. File
Operating Comm.
~~Mr. Johnson~~
~~Mr. Thayer~~
Mr. Hedges
Mr. Keller (2)
~~Mr. Hoffland~~
Mr. Kane
Mr. Bishop
Chron.
~~Pending~~

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 9-23-52

REFERRED TO:

1. ~~Mr. McClelland - Rm. 4627~~
2. ~~Miss Gibbons~~
3. ~~Mr. Johnson~~
4. Code 220

FOR: no action necessary

..... Action	..... Recommendation
..... Approval	..... Record of .....
..... Comment	..... Referring to .....
..... Conference	..... Reply for signature of .....
..... Consideration	..... Rewriting
..... Filing	..... Signature
..... Instructions	..... Suggestions
..... Investigation	..... Your information
..... Initials	
..... Mailing	
..... Previous correspondence	

answered by letter of Sept. 25.

RECEIVED
SEP 24 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

REMARKS: 1 Cy to Division

Check (X) before the items needing attention.

Frank E. Johnson
Initials of sender.
(52)

GPO 16—63815-1

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
SEP 12 1952

1201 N. Division St.
Spokane 2, Wash.
September 10, 1952

VIA AIR MAIL

MEMORANDUM

To: Chairman, Operating Committee, DMEA, Washington, D. C.

From: DMEA Field Team, Region II

Subject: Contract Idm-E380, Hypotheek Mining and Milling Company, Shoshone County, Idaho, Docket No. DMEA 2420 (lead-zinc)

Under the "Summary" of the captioned contract, the following paragraph is quoted for your attention:

> "Although the Government will contribute only on the basis of actual costs, the only items estimated on that basis are set forth in the schedules above and brought forth into this summary in the last four items thereof. The first five items of the summary estimated in terms of units of work include all costs of the work specified other than those costs estimated in terms of actual costs set forth in the last four items of this summary."

This contract was discussed with Mr. G. C. Selfridge during his recent visit to Region II. His interpretation, as we understood it, was that the first five items designated in the summary are "unit cost" items, with reimbursement to be made on unit performance at the unit price stated, while reimbursement on the last four items would be made on actual costs incurred up to the amounts set forth in the contract.

The Field Team interprets the questioned paragraph to mean that all items will be reimbursed on the basis of actual costs incurred but that the first five items cannot exceed the unit costs set forth. We believe that Mr. Lee, the Regional Finance Officer, will have a similar interpretation of the contract in its present form, and regulate reimbursements accordingly.

If the intent of the contract is according to Mr. Selfridge's interpretation, the Field Team suggests that the wording be appropriately amended to clarify the meaning so as to avoid any misinterpretation by

either the Finance Officer or the Operator. If the Field Team interpretation is correct, please notify us at once so that we can correctly assist the Operator in preparing his monthly vouchers for reimbursement.

By Field Team, Region II

For: A. E. Weissenborn, Exec. Officer
(U. S. Geological Survey)

for: M. E. Volin, Member
(U. S. Bureau of Mines)

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

So. 157 Howard Street
Spokane 4, Washington

August 20, 1952

Mr. Frank E. Johnson
Chairman, Operating Committee
DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420 (Zinc-Lead)
Hypothesek Mining and Milling Co.
Shoshone County, Idaho
Contr. No. Idm-E 380

Dear Mr. Johnson:

Enclosed are three copies of subject contract signed by the operator. By copy of this letter, the Regional Fiscal Officer's copy of contract is transmitted.

Incidentally, there were two page 2's in the Finance Copy, and no page 3. The appropriate page was removed from the Field Team copy and an ozalid one put in its place. Attached is the extra page which is probably missing from another copy since all of the copies transmitted herewith (and the Operator's copy) are complete.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosures 1 (in trip.)

cc: Fiscal Officer, Albany w/encl.
USBM

FILE COPY
SURNAME:

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

July 15, 1952

Memorandum

To: Acting Administrator

Through: H. F. Keller

From: Chief Counsel

Subject: Hypothesk Mining and Milling Company, Docket No. DMEA-2420

There is attached, in satisfactory legal form for execution, a contract covering the above-described project, subject to attachment of the maps therein referred to.

J. L. Hofflund

J. L. Hofflund
Chief Counsel

Attachment

AEKane/mef
cc: Mails & Files
A. E. Kane
J. L. Hofflund
H. F. Keller
Chron.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 15 1952

RECEIVED
MAY 15 7 08 AM '52
PUBLIC ADMIN.
BMD

43 WA. SP /I-GS-G/

SPOKANE WASH 5-14-52 335 /DUPE AND CORR COPY/

C O MITTENDORF, ACTG ADMINISTRATOR

DEFENSE MINERALS EXPLORATION ADMIN

DEPT OF INTERIOR, BOM,

WA

WILL YOU PLEASE ADVISE US STATUS HYPOTHEEK APPLICATION DMEA-2420 LEAD ZINC/QM/ APPLICANT PRESSSING US FOR INFORMATION.

A E WEISSENBORN, EXEC OFFICER

DMEA FIELD TEAM REGION II

DMEA-2420

EC 340/ 400

MAY 15 10 32 AM '52

BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

FILE COPY
SURNAME:

H F Keller
F E Johnson

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

1420137 Salaries and Expenses, Defense Production Activities, Interior, 1952

Defense Minerals Exploration Adm.
H. F. Keller
3669 2616

July 7, 1952

Mr. A. E. Weissenborn, Executive Officer, Region II, Spokane, Washington

Rett July 3, East Hypothesk Docket No. 2420 proposed contract is being ~~processed~~ prepared.

CHAIRMAN, OPERATING COMMITTEE
7/8/52

HFKeller/mb
7/7/52
cc to Adm. R. File
Docket ✓
Oper. Comm.
Mr. Keller
Confirmation
Chron

VA SP /A8SS-S/

SPOKANE 7-3-52 1033A

CHAIRMAN OPERATING COMMITTEE

DEFENSE MINERALS EXPLORATION ADMINISTRATION

DEPARTMENT OF INTERIOR

JA

PLEASE ADVISE STATUS OF EAST HYPOTHEEK DOCKET NO. 2420 EXPLORATION, SHOSHONE COUNTY, IDA. LEAD-ZINK. THE APPLICANT IS PRESSING US.

A. E. WEISSENDORN

EXECUTIVE OFFICER DMEA, FIELD TEAM REGION II.

2420

VA 1026P

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 7 - 1952

JUL 3 3 40 PM '52
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

FILE COPY
SURNAME:
Docket

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

Hypothek-2420

DMEA

J. Alt
FXCorbett
3544 2614

1420137 Salaries and Expenses, Defense
Production Activities, Interior, 1952
5-16-52

A. E. Weissenborn, Exec. Officer, Region II, South 157 Howard Street
Spokane, Washington

Jim Creek Mines DMEA 2475, Hypothek Mining and Milling Co., 2420

JIM CREEK CONTRACT TO OPERATING COMMITTEE TODAY. HYPOTHEK BEING PROCESSED.

D. E. Moulds (mef)

D. E. MOULDS, CHIEF
BASE METALS DIVISION
DEFENSE MINERALS EXPLORATION
ADMINISTRATION

JWAlt/FXCorbett/hmj
5-16-52
CC to: Adm. Reading File
Docket File Copy
Mr. Moulds
Mr. Corbett
Mr. Alt

Hypotheek Mining & Milling Company

OFFICE: WALLACE, IDAHO MINES: KINGSTON, IDAHO

Wallace, Idaho April 12, 1952.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 15 1952

Mr. Robert E. Adams, AAO,
Defence Minerals Exploration Adm.,
Department of the Interior,
Washington, D. C.

Dear Sir:- Re DMEA 2420.

We have an application, assigned docket No. DMEA 2420, which we are quite anxious to hear from, as we suspended operations in those workings when we found the expense too heavy for us to finance.

The application was dated Jan. 3, 1952, and turned over to your local representatives for processing. We understand their investigations were favorable, and the application was forwarded to you, and the docket No. assigned under date of March 13, 1952.

This letter is written as a memo in the expectation that you will check, and if possible, expedite action on the application.

Sincerely,

Hypotheek Mining & Milling Co.

Roy H. Kingsbury Secy-Treas.

EXPLORATION

Subject: DMEA-2420
Re: Exploration Loan
East Hypotheek Zinc-Lead Mine
March 13, 1952

Mr. Roy H. Kingsbury
Hypotheek Mining and Milling Company
510 Bank Street
Wallace, Idaho

My dear Mr. Kingsbury:

This will acknowledge receipt of your application dated January 3, 1952 for a loan under the Defense Production Act of 1950.

Your application was assigned Docket Number DMEA-2420 and referred to the Base Metals Division.

Kindly refer to DMEA-2420 in any future correspondence relating to your application.

Sincerely yours,

ROBERT E. ADAMS

Robert E. Adams
Acting Administrative Officer

7862

RECEIVED
SEP - 6 1955

DISPOSAL OF GOVERNMENT'S INTEREST IN PROPERTY

(FORM A)

1/ To: Roy H. Kingsbury, Secretary
Hypotheek Mining and Milling Company
510 Bank Street
Wallace, Idaho

The United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, for a valuable consideration hereby sells, assigns, transfers and sets over to you all of its right, title and interest in all property acquired under Exploration Project Contract Idm-E 380, Docket No. DMEA 2420, dated August 4, 1952 (which is listed below: ~~xx~~

Compressor and Installation
Eimco B-12 mucking machine
Drill and Bar
4 cars

Dated September 1 1955 THE UNITED STATES OF AMERICA

DMEA-2442

By A. E. Weissenborn
A. E. Weissenborn
Executive Officer, DMEA
~~Field Team, Region I, NW Dist.~~
Title

1/ Insert name of purchaser.

~~xx~~2/ If the Government's interest in all property is being transferred at one time, strike the words "which is listed below." If the Government's interest in less than all property is being transferred, list the property being transferred, in the space provided, or if there is insufficient space provided, write in the space on the form the words "See Exhibit 1, attached hereto and made a part hereof," and attach list entitled "Exhibit 1" to form.

(Per Operator's bid June 12, 1954, and Field Team acceptance June 28, 1954)

File Copy
Surname

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

Mr. Hoffmeel
Chemler
Kiilsgaard
Hedges
Selfridge
Griswold

CERTIFICATION BY THE UNITED STATES OF AMERICA
OF A DISCOVERY OR DEVELOPMENT UNDER
AN EXPLORATION PROJECT CONTRACT

To : Mr. Roy H. Kingsbury, Secretary
Hypotheek Mining & Milling Co.
Wallace, Idaho

Pursuant to the provisions of Exploration Project Contract No. Idm-E380, dated August 4, 1952, Docket No. DMEA-2420, hereinafter called the "contract", between you and the United States of America, hereinafter called the "Government"; to establish and fix the Government's percentage royalty on production and its lien thereon and on the land described in the contract, the Government considers and therefore certifies that discovery or development from which production may be made has resulted from the exploration work.

The nature of said discovery or development is described broadly or indicated as follows: Drifting on the North vein in the North Adit level, and diamond drill holes drilled downward from the North Adit level, have shown the existence of zinc-lead ores occurring within a vein in metamorphic rocks.

Dated: OCT 2 9 1954

WRGriswold/bjl (rewritten 9/8/54)
Copy to: Docket
Irving Gumbel, Dr.,MD,EPS
Mr. Hedges, 4604
Mr. Kiilsgaard, 5222
Admr. R. File
Op. Committee
Base Metals
Cont.Adm.&Audit Div.
Finance Office
Region II (2)
King of Pine Creek Mining Co.
F. E. Johnson
W. R. Griswold
Chron.

THE UNITED STATES OF AMERICA

By C. M. Steudorf
Administrator, Defense Minerals
Exploration Administration

File Copy
Surname

Griswold
[redacted]

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

CERTIFICATION BY THE UNITED STATES OF AMERICA
OF A DISCOVERY OR DEVELOPMENT UNDER
AN EXPLORATION PROJECT CONTRACT

To: Mr. Roy H. Kingsbury, Secretary
Hypothesk Mining & Milling Co.
Wallace, Idaho

Pursuant to the provisions of Exploration Project Contract No. Idm-R380, dated August 4, 1952, Docket No. DMPA-2420, hereinafter called the "contract", between you and the United States of America, hereinafter called the "Government"; to establish and fix the Government's percentage royalty on production and its lien thereon and on the land described in the contract, the Government considers and therefore certifies that discovery or development from which production may be made has resulted from the exploration work.

The nature of said discovery or development is described broadly or indicated as follows: Drifting on the North vein in the North Adit level, and diamond drill holes drilled downward from the North Adit level, have shown the existence of zinc-lead ores.

Dated: _____

THE UNITED STATES OF AMERICA

By _____
Administrator, Defense Minerals
Exploration Administration

WRGriswold/bjl (8/25/54)
Copy to: Docket
Irving Gumbel, Dr.,MD,EPS
Mr. Hedges (4604)
~~Mr. Thayer (5216, GSA Bldg)~~ Mr. Hedges, 5227
Admr. R. File
Op. Committee
Base Metals
Cont. Adm. & Audit Div.
Finance Office
Region II (2)
King of Pine Creek Mining Co.
F. E. Johnson
W. R. Griswold
Chron.

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

RECEIVED
AUG - 5 1955

AUDIT CERTIFICATE

I have examined the records and transactions of the:

Hypothesis Mining and Milling Company,
a corporation duly organized and
existing under and by virtue of the
laws of the State of Idaho
510 Bank Street
Wallace, Idaho

pertaining to Exploration Project Contract No. Idm-2380, Docket No. DMEA-2420, including Amendments Nos. 1, 2, 3, 4 and 5, covering a project for the exploration of lead-zinc, located in Shoshone County, Idaho, commonly known as the East Hypothesis Mine, for the period of August 4, 1952, to October 4, 1954, inclusive, and the subsequent disposition of project property.

My examination was made in accordance with generally accepted standards applicable in the circumstances.

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

Total cost as billed by the contractor		$40,377.96
Less: Proceeds from disposition of property		5,800.00
Net claimed cost		$34,577.96
Exceptions (see Audit Report for details):		
By DMEA Finance Officer	$63.05	
Less: Additional costs allowed	44.60	18.45
Total Accepted Cost		$34,559.51

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Seventeen Thousand Two Hundred Seventy Nine and 76/100 Dollars,

$17,279.76

is valid and proper.

This certificate is issued on the provision that the Regional Executive Officer, the Administrator, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

George Mavor
George Mavor, Auditor

July 25, 1955

AUDIT REPORT

I. INTRODUCTION

On June 23 and 24, 1955, a final audit (covering operations for the period of August 4, 1952, to October 4, 1954,) was made of the records and transactions pertaining to Exploration Project Contract No. Idm-2380, Docket No. DMEA-2420, including Amendments Nos. 1, 2, 3, 4 and 5, with the:

Hypotheek Mining and Milling Company,
a corporation duly organized and
existing under and by virtue of the
laws of the State of Idaho
510 Bank Street
Wallace, Idaho

covering a project for the exploration of lead-zinc, located in Shoshone County, Idaho, and commonly known as the East Hypotheek Mine.

The original records under this contract were maintained by and were in the custody of Mr. Roy H. Kingsbury, Treasurer of the Hypotheek Mining and Milling Company, 510 Bank Street, Wallace, Idaho.

During the course of the audit Mr. Roy H. Kingsbury, Treasurer, was present and consulted as required, and his cooperation and assistance greatly facilitated the audit.

Mr. Clarence Fisher, DMEA Auditor, collaborated in the audit, and the audit work performed by Mr. Fisher is hereby acknowledged.

By reference to Exhibit "A" of the contract, on page 3, under the caption of "Summary", it will be noted that all costs of the project are reimbursable on a cost basis, with a limitation on certain items specified as allowable maximums. This audit report covers all items claimed by the operator on a cost basis, taking into consideration the allowable maximums, and described in the narrative of this report under each item of cost.

II. GENERAL INFORMATION ON RECORDS

The accounting records were adequate to properly account for the expenditures made for the exploration project. The operator did not maintain any general ledger; however, the cash disbursement record, payroll register and voucher checks were sufficient to conduct a satisfactory audit.

The operator pays invoices and payrolls by voucher check, and retains a copy for the files. These voucher checks are numbered

numerically and have copies of invoices attached, and the voucher checks issued for payrolls show the gross earnings less deductions and net amount paid. All checks are drawn on the First National Bank of Wallace, Wallace, Idaho.

III. SCOPE OF AUDIT AND FINDINGS

The audit consisted of a complete analysis of all expenditures, in order to ascertain the accuracy, propriety and validity of the costs as shown in the "Totals to Date" column of Form MF-104, Operator's Monthly Report and Voucher, for the months of June to October 1954, inclusive. The extent of the audit and the findings under each of the "Items of Cost" follow:

(1) Independent Contracts $5,730.44

All charges under this category were verified to invoices, cancelled bank checks, sub-contracts for diamond drilling, and contract terms, and the costs can be accounted for as follows:

Diamond Drilling	$5,506.44
Bulldozing	224.00
Total	$5,730.44

The diamond drilling was performed by the following subcontractors:

Diamond Drilling

Vivian Bros., Drilling Holes Nos. 2, 3, 4, 5 and 6					
Drilling	475' 2"	@	$3.60	$1,710.60	
Drilling	476' 10"	@	4.60	2,193.44	
Drilling	5' 0"	@	4.95	24.75	
Stand-by time, operating compressors etc.				83.90	
Total	957' 0"				$4,012.69
C. L. Shepherd, Drilling Hole No. 7					
Drilling	300' 0"	@	$3.25	$ 975.00	
Drilling	100' 0"	@	3.50	350.00	
Drilling	45' 0"	@	3.75	168.75	
Total	445' 0"				$1,493.75
Totals	1,402' 0"				$5,506.44

The contract states in Exhibit "A", under item 4, that 1500 feet of diamond drilling will be allowed, whereas under Estimated Costs of the Project, Item (1) Independent Contracts has no cost estimate; however by referring to the aforementioned summary as listed in Exhibit "A" of the contract, it will be noted that this item will be accepted on a cost basis. Therefore the above amount of $5,506.44 was an actual cost to the operator and has been accepted as a necessary cost of the project.

Bulldozing

Duncan McGillivray	16 hrs.	@ $14.00	$224.00

The above bulldozing covered grading which was necessary for laying track to dump. There was no sub-contract for this work; however as it was a necessary cost of operation, same has been included and accepted as a cost of the contract.

(2) Labor and Supervision $16,640.39

The payroll records for the period August 4, 1952, to October 4, 1954, were examined together with cancelled bank checks. The audit also disclosed that the costs shown under this item on the June to October 1954 MP-104, as compared to the costs properly chargeable, and allowable, under the terms of the contract are:

	Charged	Disallowed	Allowed
Labor	$13,772.28	$41.89	$13,730.39
Supervision	2,805.00		2,805.00
Technical Services	105.00		105.00
Totals	$16,682.28	$41.89	$16,640.39

The disallowance for labor in amount of $41.89 covered incorrect extensions in payrolls for the months March to May 1953 inclusive and disallowed by the Certifying Officer.

The labor charges of $13,730.39 can be further analyzed as follows:

Enlarge and Straighten Adit		
Straight Time Hourly Rates	$273.80	
Bonus Contract Footage Rates	908.44	1,182.24
Drifting		
Straight Time Hourly Rates	$1,344.20	
Bonus Contract Footage Rates	6,996.90	8,341.10
Yardmen		
Straight Time Hourly Rates		4,207.05
Total		$13,730.39

The operator did not have any Union Agreement and the miners and yardmen were paid at a rate of $14.80 per eight hour shift, with the exception of one period June to October 1954, when a compressorman was paid $15.25 per shift. The bonus contract footage rates were based on a verbal agreement between the miners and the operator. The footage rate paid for drifting was $8.00 per foot. The amount of $908.44 listed under Enlarge and Straighten Adit includes footage amounts for drifting $484.16 and slabbing $424.18. The footage rates paid were $8.00 for drifting and $3.00 for slabbing.

The supervision salaries paid in amount of $2,805.00 were for services rendered by John Kingsbury, Superintendent, and Pat DeWilliam, Engineer. The charges for this supervision were on an estimated basis as follows:

Aug. 1952 to Dec. 15, 1952, 4½ mos. @ $210.00 mo.	$ 945.00
Dec. 16, 1952, to June 30, 1953, 744 ft. Drifting @ $2.50/ft.	1,860.00
Total Supervision	$2,805.00

Mr. John Kingsbury was a full time employee and paid at the rate of $20.00 per day, whereas Pat DeWilliam was an employee of the Sunshine Mining Company and worked 4 days a month for the operator at $30.00 per day. The method of proportioning supervision salaries was accepted by the Field Team as being reasonable and did not exceed the allowable maximum of $420.00 per month for supervision as set forth in Exhibit "A" of the contract. The total supervision as charged amounts to 11 months at $255.00 per month or a total of $2,805.00.

The technical service charge of $105.00 was paid to V. F. Hammarand, Geologist, for services rendered during the period April 30 to August 24, 1953, in connection with the diamond drilling program, which was an allowable and acceptable cost of the contract.

(3) Operating Materials and Supplies $7,405.38

A complete examination was made of invoices charged to this category, which included the verification of footings and extensions, together with examination of cancelled bank checks. All materials and supplies purchased were charged direct to project costs.

The audit disclosed the costs shown under this item on the June to October 1954 MF-104, as compared to the costs properly chargeable and allowable, to be:

	Charged	Disallowed	Less: Sale of Property	Allowable
Timber	$ 201.61	$	$	$ 201.61
Explosives	2,259.21			2,259.21
Pipe	571.56		100.00	471.56
Track	743.05		250.00	493.05
Drill Steel	856.33			856.33
Core Boxes	142.30			142.30
Ventilation Pipe	220.00		25.00	195.00
Electric Cable	76.80		25.00	51.80
Electric Power	2,238.99			2,238.99
Miscellaneous	516.69	21.16		495.53
Totals	$7,826.54	$21.16	$400.00	$7,405.38

The disallowance of $21.16 was a charge of $20.00 not supported by any invoice, and $1.16 cash discounts not credited to the cost of material by operator. The amount of $21.16 was disallowed by Certifying Officer.

The proceeds from sale of property in amount of $400.00 was bid by the operator, and accepted by A. E. Weissenborn, Executive Officer, in his letter dated June 28, 1954, to the operator. The distribution of the $400.00 by supply items was made by this auditor for audit report purposes.

The electric power consumed during the period August 20, 1953, to October 4, 1954, amounted to $2,238.99, and represented a total of 105,390 KWH, at an average rate of 2.12448 cents per KWH, and was furnished by The Washington Water Power Company.

(4) Operating Equipment $2,288.32

All charges for operating equipment were checked against invoices, cancelled bank checks and rates specified in contract.

The audit disclosed the costs shown under this item on the June to October MP-104, as compared to the costs properly chargeable, and allowable, under the terms of the contract to be:

	Charged	Less: Sale of Property	Allowable
Purchased Equipment	$7,233.32	$5,400.00	$1,833.32
Depreciation	455.00	-0-	455.00
Total	$7,688.32	$5,400.00	$2,288.32

The proceeds from the sale of purchased equipment was bid by the operator, and accepted by A. E. Weissenborn, Executive Officer, in his letter dated June 28, 1954, to the operator. A further analysis of amounts authorized by contract and purchase price is as follows:

	Allowed By Contract	Cost	Bid Price	Net Cost to Contract
1-Used Air Compressor	$3,500.00	$2,630.32	$2,200.00	$ 430.32
1-New Eimco 12B Loader	2,500.00	2,500.00	1,900.00	600.00
4-New 32 cu. ft. Mine Cars	1,700.00	1,550.00	1,000.00	550.00
1-Thor Drill and Attachments	600.00	553.00	300.00	253.00
Totals	$8,300.00	$7,233.32	$5,400.00	$1,833.32

When the operator submitted the bid on equipment, the air compressor was listed at $3,422.74 whereas the cost listed above is

shown as $2,630.32 or a difference of $792.42. This difference of $792.42 represented installation costs, made up of the following items:

Labor	$736.60
Material-Cement	21.20
Payroll Taxes	8.10
Compensation Insurance	26.52
Total	$792.42

For audit report purposes, the above installation costs were not considered as part of the purchase price of the compressor, and have been transferred to the cost of labor, material, payroll taxes and compensation insurance.

The depreciation charges of $455.00 can be accounted for as follows:

	Mo. Deprec. Rate	No. of Mos.	Deprec.
1-Muncha Tramper	$45.00	7	$315.00
2-Drifters @ $10.00 each per mo.	20.00	7	140.00
Total			$455.00

The operator did not exceed the allowable maximum of $8,300.00 for purchased equipment and $520.00 for depreciation.

(7) Miscellaneous $957.68

The audit of miscellaneous charges included the examination of invoices, cancelled bank checks and other supporting data pertaining to payroll taxes and compensation insurance.

The audit disclosed the costs shown under this item on the June to October 1954 MP-104, as compared to the costs properly chargeable and allowable, to be:

	Charged	Add'l Costs Allowed	Allowable
Payroll Taxes	$355.88	$20.99	$376.27
Compensation Insurance	557.80	23.61	581.41
Totals	$913.68	$44.60	$957.68

The above additional costs allowed in amount of $44.60 represented payroll taxes and compensation insurance charges on June to September 1954 payrolls aggregating $655.85. The operator stated that by oversight he neglected to charge the $44.60 to contract costs; therefore same has been included as an allowable cost of the contract.

The payroll taxes $376.27, and liability insurance $581.41 were verified by computation at the rates used by the operator, which were as follows:

	Aug. Sept. & Oct. 1952	Nov. & Dec. 1952	Jan. 1953 to Oct. 1954
Payroll Tax Rates			
State Unemployment Tax	2.7%	1.1%	1.7%
F.I.C.A.	1.5%	1.5%	1.5%
Federal Unemployment	.3%	-	-
Totals	4.5%	2.7%	3.2%
Compensation Insurance Rates			
Liberty National Insurance Co.	3.6%	3.6%	
Western Pacific Insurance Co.			*3.6%
*Effective Jan. 1, 1954			

The total cost of $957.68 did not exceed the allowable maximum of $1,000.00 as shown in Exhibit "A" of the contract.

(8) Contingencies $1,537.30

Under this caption is the cost of building a foundation to install the compressor purchased under the terms of the contract. The cost of installation was made up as follows:

Labor		$836.20
Outside Mechanic		198.00
Material		
Pipe	$257.57	
Cement	103.35	
Belts, Switches, Fuse Links, etc.	74.46	435.38
Payroll Taxes		37.62
Compensation Insurance		30.10
Total		$1,537.30

The above foundation costs were considered a necessary and allowable cost of the project, and due to the type of work performed, the cost was charged to contingencies. The cost of $1,537.30 did not exceed the allowable maximum of $5,000.00 set forth in Exhibit "A" of the contract.

During the course of the audit an examination was made covering payrolls, invoices and cancelled bank checks, pertaining to the above mentioned costs.

IV. CONCLUSIONS AND RECOMMENDATIONS

The audit also disclosed that the status as of October 4, 1954, of "allowable maximums" under this contract was as follows:

Item	Maximum	Total Costs	Balance
Operating Equipment			
Purchased	$8,300.00	$1,833.32	$6,466.68
Depreciation	520.00	455.00	65.00
Miscellaneous	1,000.00	957.68	42.32
Contingencies	5,000.00	1,537.30	3,462.70

This audit has disclosed that all costs, as charged to this project, including the additional costs allowed and itemized under Item (7) Miscellaneous, with the exception of the disallowances itemized under Items (2) Labor and Supervision (3) Materials and Supplies and salvage received from disposal of property, itemized under Items (3) Material and Supplies and (4) Operating Equipment, of the preceding section of this report, are reasonable and proper under the terms of the contract.

The adjustments between items of Costs, as shown on the June to October 4, 1954, MF-104, the recommended disallowances, proceeds from sale of property, and approved amounts, are summarized as follows:

	Totals June to Oct. 4 1954, MF-104	Distribution Corrected	Disallowed by Audit	Proceeds Sale of Property	Allowed by Audit
(1) Independent Contracts					
Drilling	$7,292.83	$5,506.44	$	$	$5,506.44
Bulldozing		224.00			224.00
(2) Labor and Supervision					
Labor	11,450.25	13,772.28	41.89		13,730.39
Supervision	2,950.24	2,805.00			2,805.00
Technical Services		105.00			105.00
(3) Operating Mat'ls and Supplies					
Timber	119.73	201.61			201.61
Explosives	1,756.88	2,259.21			2,259.21
Pipe	171.79	571.56		100.00	471.56
Track	550.19	743.05		250.00	493.05
Drill Steel	143.21	856.33			856.33
Core Boxes		142.30			142.30
Ventilation Pipe		220.00		25.00	195.00
Electric Cable		76.80		25.00	51.80
Electric Power		2,238.99			2,238.99
Miscellaneous	2,609.64	516.69	21.16		495.53
(4) Operating Equipment					
Rental	455.00	-0-			-0-
Purchase	8,025.74	7,233.32		5,400.00	1,833.32
Depreciation		455.00			455.00
(5) Initial Rehabilitation	2,520.31	-0-			-0-
(7) Miscellaneous					
Payroll Taxes		356.28	* 20.99		376.27
Compensation Insurance		557.80	* 23.61		581.41
Power	795.39	-0-			
(8) Contingencies					
Compressor Installation	1,536.76	1,537.30			1,537.30
Totals	$40,377.96	$40,377.96	$18.45	$5,800.00	$34,559.51

Disallowances	$63.05
Less: Add'l Costs Allowed	* 44.60
Net Disallowance	$18.45

At the conclusion of the audit, the findings were discussed with Mr. Roy H. Kingsbury, Treasurer of the Hypothesis Mining and Milling Company.

This report has been discussed with Mr. A. H. Weissenborn, Executive Officer, and he agreed that the costs as presented were necessary and allowable under the terms of the contract.

July 25, 1955

George Mayer, Auditor

Copy

A G R E E M E N T

This AGREEMENT made and entered into this 30 day of June, 1950, between KING OF PINE CREEK MINING COMPANY, an Idaho corporation hereinafter called KING OF PINE CREEK, party of the first part, and HYPOTHEEK MINING AND MILLING COMPANY, an Idaho corporation, hereinafter referred to as HYPOTHEEK, party of the second part, WITHNESSETH:

1. Agreement to Sell. King of Pine Creek agrees to sell, and Hypotheek agrees to purchase certain lode mining claims, real properties and mining interests on Pine Creek in Yreka Mining District, Shoshone County, Idaho, particularly described as follows:

South Half (S½) of Southeast Quarter (SE¼) of Southeast Quarter (SE¼) , being a part of Lot 8, of Section Eighteen (18), Township Forty-eight (48) North, Range Two (2) East B.M.

All Mines and minerals, lodes, veins, mineral deposits, mineral oils and natural gases of every kind and nature contained in or upon the North Half (N½) of the Southeast Quarter (SE¼) and Lots Seven (7) and Eight (8) of Section Eighteen (18), Township Forty-eight (48) North, Range Two (2) East B.M., containing 149.75 acres.

Together with all easements and rights of way necessary thereon for the lawful exploration, development and mining operations necessary for the operation of said mineral property for the extraction of ores and natural resources heretofore named and the marketing of the same, if any.

All of the foregoing property is described in a deed from Charles Houck, a widower, recorded in Book 56 of Deeds, page 15, Official Records of Shoshone County, Idaho.

Lot Three (3) and the Northeast Quarter (NE¼) of Southwest Quarter (SW¼) and the Southeast Quarter (SE¼) of Southwest Quarter (SW¼) of Section Eighteen (18) and the Northeast Quarter (NE¼) of Northwest Quarter (NW¼) of Section Nineteen (19), Township Forty-eight (48) North, Range Two(2) East of Boise Meridian, containing 159.53 acres, known as the George Lightbody Homestead.

B-29, P-38 and Catalena Fraction Unpatented Lode MIning claims, notices of location of which said claims are record in Book 27 of Quartz Locations, at pages 475 and 477 respectively, official Records of Shoshone Idaho.

Monty Fraction, Monty Christo, Olson the Miner, Otto Fraction, Olson the Miner Fraction, and the Rose Bird patented lode mining claims, Mineral Survey NO. 3197, United States patent for which is recorded in Book 64 of Deeds, pages 142, 143 and 144, Official Records of Shoshone County, Idaho.

Except the following not conveyed:

A portion of the Rose Bird Claim, Survey No. 3197, situated in the SW¼ of Section 17, Township 48 North, Range 2 East B.M., in Shoshone County. Beginning at Corner No. 4 of said Rose Bird Lode which is also the NE Corner of the tract, and running thence South 4° 14' East 240.77 feet to intersection of line 1-4 Gold Standard Lode, Survey No. 2641 to a point; thence South 9° 34' West 144.23 feet to corner No. 1 of said Gold Standard Lode: thence South 77° 48' East 35.41 feet to intersection of line 4-1 Rose Bird Lode; thence S. 4° 04' East 139.19 feet to the South East corner of the tract; thence North 88° 43' 30"'West 180 feet to the South West corner of the tract; thence North 4° 04' West 530 feet to the North West corner of the tract; thence South 88° 43' 30" East 180 feet to the North East Corner of the tract and the place of beninning; containing 2.1 acres; recorded in Book 76 of Deeds, Page 31, records of Shoshone County, Idaho.

2. Terms of Indenture. This agreement shall run for twenty-five (25) years from and after the date hereof, when the same shall expire if not otherwise terminated. The purchase price for the property is the sum of Seventy Five Thousand Dollars ($75,000.00), to be paid as follows: The sum of Three Thousand Dollars ($3,000.00) is paid by Hypotheek upon the execution of this agreement, the receipt of which is hereby acknowledged; and the sum of Two Thousand Dollars ($2,000.00) on or before the 1st day of May, 1951. The balance thereof, to-wit the sum of Seventy Thousand Dollars ($70,000.00), shall be paid as follows: A minumum of Two Hundred Fifty Dollars ($250.00) cash on or before the 1st day of July of each and every year, the first of such annual payments to be due Julyl, 1951, and annually thereafter on said date. Hypotheek also agrees to pay promptly when due all State, County and other taxes and assessments levied or assessed against said premises and on the operation thereof, and on such ones and concentrates and the marketing thereof, and all other charges which may hereafter be laid on the ownership or possession of said land and premises by law, regulation, rule, ordinance, or any other governmental requirement. Upon completion of payment of purchase price, either in cash or royalties, this agreement shall terminate.

3. Possession. Immediately upon the execution and delivery of these presents and thereafter during the period the contract is in force, Hypotheek, its successors and assigns, shall have the sole and exclusive right and possession of all of said premises, and the right to enter upon, occupy and use the same; to explore therein and thereon for minerals by any and all methods it may deem necessary or desirable, both underground and from the surface; to sink, drive or construct shafts, drifts, crosscuts, winzes, raises, stopes, and such other underground openings and/or surface workings as it may deem advisable; to construct, install and operate on said premises roads, buildings, pole lines and other surface equipment; to mine, remove, transport, mill, smelt and sell any and all ores, metals or minerals which may be found or developed in or upon said premises, and in general at its sole descretion to do any and all acts and things which it may deem necessary to advance the exploration and development of, and the production from, said property. The privilege to explore and develop shall not obligate Hypotheek to do so, and the place, manner and time of exploration or the mining and removal of minerals shall lie in the uncontrolled discretion of Hypotheek. PROVIDED, HOWEVER, that all work in or upon said primises shall be done in a good, minerlike fashion with due regard to the development, safety and preservation of said premises as a workable mine; including sufficient strong and durable timbers in all workings where proper in accordance with good mining practice, and the repair or replacement of all timbers which may be rendered insufficient from any cause, and generally the keeping of the workings at all times in good, safe and workmanlike condition; PROVIDED, HOWEVER, that nothing herein contained shall require Hypotheek to maintain abandoned or worked out stopes or underground workings, except such as may be required for safe operation and working of the remainder of said claims and premises.

4. Royalty Payments. Hypotheek agrees also to promptly pay, within fifteen (15) days after receipt of net smelter returns from smelter or other purchaser of ores shipped from said properties, to the bank hereinafter named and to be placed by said bank to the credit of King of Pine Creek, a 5% net royalty upon all production from the premises. The term "Net Royalty" as used herein means the amount received by Hypotheek from the smelter or other purchaser after deducting smelter and transportation charges. Royalties paid under the terms of this paragraph are earned royalties, and each payment shall be accompanied with a copy in duplicate of the smelter return and a statement of freight and treatment charges. Royalty payments shall apply on the purchase price and may be accrued against each annual payment due on or before the 1st day of July.

5. Title Reserved. Title to the property is hereby reserved in King of Pine Creek until the full purchase price is paid, except the unpatented lode mining claims hereinbefore mentioned shall be conveyed by separate deed by King of Pine Creek to Hypotheek, and deed delivered to Hypotheek on or before May 1, 1951, after which the provisions of this agreement shall not apply to said deeded unpatented lode mining claims. King of Pine Creek agrees to execute a deed conveying all the remaining lode mining claims, real properties and mining interests to Hypotheek in accordance with this agreement, which said deed, together with a copy of this agreement, shall be deposited with the First National Bank of Wallace, at Wallace, Idaho, as escrow holder with instructions to deliver the deed to Hypotheek according to the terms of this agreement. An abstract of title is to be furnished, cost thereof to be equally divided between the parties hereto, and title and possession is to be transferred to Hypotheek without warranty of title. King of Pine Creek shall annex to said deed the requisite United States revenue stamps whenever required to do so by the government.

6. Operation of Property. As heretofore provided, Hypotheek shall, upon the execution of this agreement, be entitled to immediate possession of said premises; and specifically covenants

that while in possession under this agreement no valid unpaid accounts for labor, materials, or supplies whatever shall remain unpaid and thereby become a lien against said premises, or any part thereof; and Hypotheek shall and will at all times keep its accounts paid insofar as these premises are concerned and indemnify King of Pine Creek against loss or expense on account of any lawful claim or demand. In the event of the termination of this agreement as hereinafter provided, Hypotheek shall cause all such debts, claims and/or demands to be promptly paid at the time of the reentry of King of Pine Creek into possession of the premises.

7. Termination of Agreement. Hypotheek shall have the right to terminate this agreement by giving sixty (60) days written notice in advance of July 1st of any year of its election to terminate this agreement and by filing a copy of said notice with said bank, and that upon expiration of said period the agreement shall terminate and be at an end, and said bank is directed to thereupon return saik deed to King of Pine Creek. Upon such termination Hypotheek sahll no longer be obligated to thereafter make further payments upon the purchase price hereunder or pay subsequent taxes; but all payments theretofore made upon the purchase price shall be forfeited to King of Pine Creek as liquidated damages and rental. Upon termination of this agreement Hypotheek shall promptly and peaceably surrender possession of the property, including all surface and underground workings to King of Pine Creek, and shall leave all buildings erected thereon and permanent fixtures installed in the mine such as track, pipe, air vent and other facilities intact and in good order, but may remove all loose movable tools, machinery and chattels not affixed to the land.

8. Default. If Hypotheek shall fail to make a royalty payment when due or neglects to pay the taxes after due date, or to make the annual payment on or before July 1st of any year, or shall breach any other covenant of the agreement to be performed hereunder, and such failure or breach sahll continue without being

remedied by Hypotheek for sixty (60) days after written notice of such default given by King of Pine Creek to Hypotheek, then King of Pine Creek shall be entitled at its option to terminate this agreement, Hypotheek to forfeit all payments theretofore made to King of Pine Creek upon the purchase price, and King of Pine Creek to re-enter and take possession of the property. In the event of termination of the agreement as herein provided by sixty (60) day notice, the escrow bank shall return the deed to King of Pine Creek upon due proof of the failure of Hypotheek to comply with the terms of the forfeiture notice.

9. Notice. Any notice, demand or communication under this agreement may be served by either party upon the other party by mailing the same by registered mail at a United States post office, with the postage duly paid thereon, and addressed as follows:

To King of Pine Creek: King of Pine Creek Mining Company
Wallace, Idaho

To Hypotheek: Hypotheek Mining and Milling Company
c/O Roy Kingsbury
Wallace, Idaho.

Or to such other address as either of the parties shall from time to time specify by notice in writing to the other party.

10. Successors. Hypotheek shall not assign this contract or any interest therein without the written consent of King of Pine Creek. Subject to this limitation the terms of this agreement shall inure to the benefit of and be binding upon the successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF the parties hereto have executed this instrument in triplicate on the day and year herein first written.

KING OF PINE CREEK MINING COMPANY

(SEAL) By C. C. Anderson President

Attest: Laurence Howe Secretary
Party of the Second Part

HYPOTHEEK MINING & MILLING COMPANY

(SEAL) By Sigurd Torkelson, Vice Pres.

Attest:- Roy H. Kingsbury, Secretary
Party of the Second Part.

STATE OF WASHINGTON)
) SS
County of Spokane)

On this 13th day of April, 1951, before me the undersigned, a Notary Public in and for the State aforesaid, personally appeared C. C. Anderson, known to me to be the President of King of Pine Creek Mining Company, the corporation that executed the within and foregoing instrument, and acknowledged to me that said corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(SEAL)

Charlotte F. Leise
Notary Publec in and for the State of Washington, residing at Spokane, Wash.

STATE OF IDAHO)
) SS
County of Shoshone)

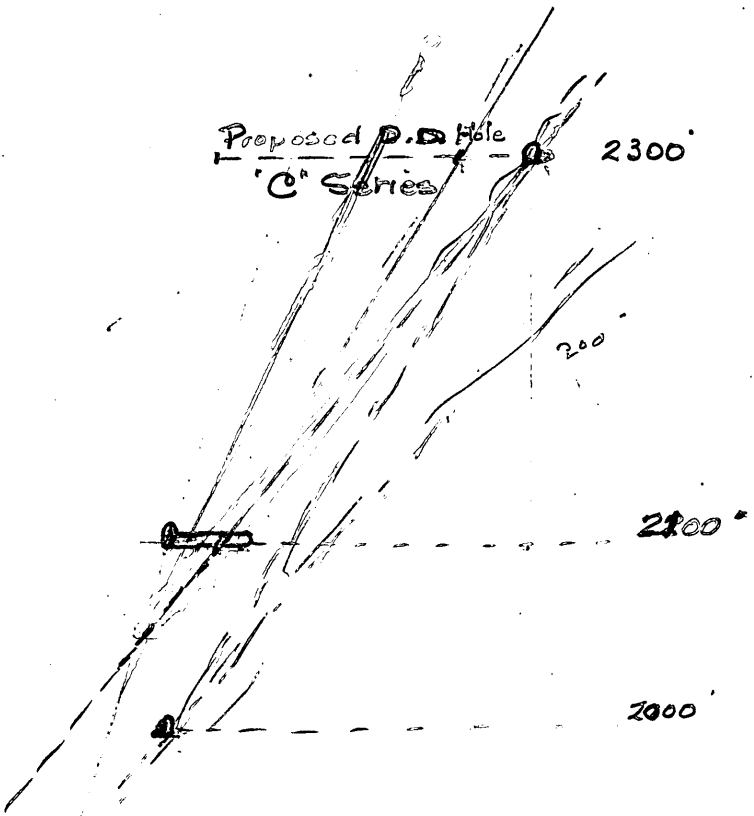
On this 25th day of April, 1951, before me the undersigned, a Notary Public in and for the State aforesaik, personally appeared Sigurd Torkelson, known to me to be the Vice President of Hypotheek Mining and Milling Company, the corporation that executed the within and foregoing instrument, and acknowledged to me that said corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Margaret Schelino
Notary Publec in and for the State of Idaho, residing at Wallace.

(SEAL)

Cross Section Through 1st X-cut on 200' level



Plotted from data on Map by Hypotheek Co.

~~Profit~~

Ore which has been drifted on for either 60' or 150' depending on how one interprets the map data.

Width	Pb-	Zn	Ag
1.3' -	4.7%	8.2%	1.5 oz -

Drawn 30' wide -

3.85% - 4.1 - 7.3

which at 16¢ (Pb-Zn) equals one of gross value - $26.00 ± -

There should be a profit in such ore located where this is -

Hypothesis

Form MF-103
(April 1951)

U. S. DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Budget Bureau No. 42-R1035.
Approval expires 6-30-51.

APPLICATION FOR AID FOR AN EXPLORATION PROJECT PURSUANT TO MINERAL ORDER 5, UNDER DEFENSE PRODUCTION ACT OF 1950

DO NOT FILL IN THIS BLOCK

Docket No. DMEA-2420

Date received 3-13-52

Participation

HYPOTHEEK MINING AND MILLING COMPANY
510 Bank Street
Wallace, Idaho

Name and address of applicant

Date January 3, 1952

FILL IN THIS BLOCK

Date of application January 3, 1952

Estimated cost $99,641

Mineral or metal Zinc-Lead

Percentage of Government participation 50%

Location of mine Pine Creek District
Kellogg, Idaho

Date of filing MF-100 January 3, 1952

DMA Docket Number, if available

INSTRUCTIONS

Read Mineral Order 5, Regulations Governing Government Aid in Defense Projects, before completing this application. Submit four signed copies of the application to Defense Minerals Administration, Department of the Interior, Washington 25, D. C., or to the nearest field executive officer thereof, with your name and address on each sheet of the application and all accompanying papers. If any question is inapplicable, or if you cannot answer it, so state on the form. Where the space provided for answer is insufficient, answer on a separate sheet, annex it to the application form, and refer to it in space for answer. If the application is approved, you will be presented with an exploration project contract on Form MF-200, for your signature.

THE APPLICANT

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 13 1952

*1. Is applicant an individual, partnership, or corporation?
*2. If a partnership, state names and addresses of partners.
*3. If a corporation, state names and addresses of officers, directors, and five largest stockholders.
*4. Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who will manage the project.
*5. Are you the owner or the lessee of the property?
6. If owner, state what claims, liens, or encumbrances, if any, are against the property.
7. If lessee, attach a copy of the lease and state if it is in good standing.

NOTE.—It will be necessary to procure and attach to the exploration project contract agreements of claimants, lienors, encumbrances and lessors subordinating their interests in the property to the interest of the Government under the contract.

8. Furnish current financial statement, showing assets and liabilities, and a profit and loss statement.
9. How much money is applicant prepared to invest in proposed project? Is it sufficient to pay your part of the cost of the project as detailed in question 23 of this application form, in accordance with the regulations on Government participation (Section 9 of Mineral Order 5)?

*If you have already answered these questions on MF-100, you are not required to answer the questions for this application.

16—64067-1

THE PROPERTY

10. (*a*) Give a description of the real property that will be in any way involved in the exploration project, including any existing mine or operating property.

(*b*) Give the legal description of the exact parcel, plot, or area upon which the exploration is to be conducted.

NOTE.—If both areas are the same, so state. The only obligation to repay the Government is from the net earnings from any commercial discovery made in the area specified in (*b*) above in which the exploration is to be conducted, and the expenditure of funds which may be charged as costs of the project must be limited to that area or to work necessary to perform the exploration in that area.

*11. State the present and former names of the property, if any.

*12. State, in detail, the location of the property with reference to towns, railroads, roads, shipping points, including distances and directions and kinds and conditions of roads.

*13. State source and quantity of water available for operations and its sufficiency at all seasons. State amount of power to be used, rate per hour or other cost, and source.

*14. Describe any existing useable facilities, equipment, buildings, or structure now on the property that will be devoted to the exploration work.

15. State in detail how the ore could be shipped and how and where milled.

*16. History:

(*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for any past suspensions of operations.

(*b*) State briefly the known history and production of adjoining and neighboring properties.

(*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.

*17. Production:

(*a*) If mine is in production, furnish the following information:

	Tons per day	*Grade or analysis*	*Cost per ton*	*Net value per ton*
(1) Mining				
(2) Milling				
(3) Shipped or sold				

*18. Ore or mineral reserves: (If property is or has been operating.)

(*a*) Describe the ore or mineral deposits briefly.

(*b*) Submit available maps and assay data.

(*c*) Give estimated tonnage and grade of each class of ore reserves.

19. State any conditions or circumstances regarding the property not sufficiently brought out by the foregoing questions.

THE EXPLORATION

20. For what mineral or minerals and for what types of deposits and ores will the exploration be conducted?

21. Describe briefly, but concisely, the proposed work and the estimated time required to complete it.

NOTE.—The Government will not participate in a project that will require more than 2 years to complete.

22. Furnish statement of the geological basis of the project with particular emphasis on factors leading the operator to expect the finding of commercial ore bodies. This statement should be accompanied by supporting maps such as geological maps, maps of the proposed openings and assay maps, sample lists, and other pertinent data.

THE REQUIREMENTS AND COSTS

23. Tabulate in the form of an itemized statement with a sum for each item the estimated requirements and costs of the project so that the total will give the estimated cost of the project in which the Government will participate, as follows:

(*a*) Labor, by numbers and classes (miners, muckers, millmen, etc.), with wages of each.

(*b*) Supervisors, by numbers and positions, with salaries of each.

(*c*) Cost of necessary repairs to existing facilities, structures, and buildings.

(*d*) Cost of necessary installation or construction of additional facilities, structures, and buildings.

(*e*) Cost of items of equipment, not now owned by the applicant which must be purchased for operations at a cost of $50 or more each.

(*f*) Cost of rental for equipment which the operator proposes to rent.

(*g*) Rental value of items of equipment which the operator now owns and which will be devoted to the work.

(*h*) Cost of materials and supplies, including items of equipment costing less than $50 each.

(*i*) Cost of power, water, utilities, and any other items not provided for above.

24. Furnish a time schedule of the project, stated in terms of months after project is approved, showing progress expected to be accomplished and the money expected to be spent.

CERTIFICATION

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

Hypotheek Mining and Milling Company
(Name of company)

By Roy H Kingsbury
(Signature of authorized official)

January 3, 1952
(Date)

Sec-Treas. and Manager
(Title)

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.

*Same as footnote on page 1.

16—64067-1 U. S. GOVERNMENT PRINTING OFFICE

Form MF-103

THE APPLICANT - HYPOTHEEK MINING AND MILLING COMPANY

1. The applicant, The Hypotheek Mining and Milling Company, is a corporation organized February 13, 1901.

2. Not applicable.

3. Directors and Officers of the Corporation:

R. L. Brainard, President and Director (deceased)
Sig Torkelson, Vice President and Director (acting president)
Box 61, Wallace, Idaho
Roy H. Kingsbury, Secretary-Treasurer, Director and General Manager, Wallace, Idaho
A. J. Teske, Director, Wallace, Idaho
T. Towles, Director, Old National Bank Building, Spokane, Washington.

Five largest stockholders:

Roy H. Kingsbury
Mrs. Ethel McCaughey, Box 58, Alderwood Manor, Washington
Hans P. Kaisen, 2889 W. 7th Avenue, Los Angeles, California
Albert S. Kerry, 422 Medical Arts Building, Seattle, Washington
A. J. Wasmer, Box 519, Erie, Pennsylvania.

4. Mining and general business experience of (a) applicant and (b) persons who will manage the property.
   (a) The applicant, The Hypotheek Mining and Milling Company, was incorporated in 1901 and since that time intermittently has been engaged in the operation of its mining properties.
   (b) Mr. Roy H. Kingsbury, general manager, has held administrative positions in the mineral industry for the past fifty years. Mr. John Kingsbury, mine superintendent, has been actively engaged in mining in the Coeur d'Alene District for fifteen years.

5. The Hypotheek Mining and Milling Company is the owner of the property under an option and purchase agreement. Abstracted title to property is in escrow at First National Bank of Wallace, Idaho. Abstract shows title vested in vendor.

6. There are no claims, liens, or encumbrances against the property.

7. Not applicable.

8. See attached EXHIBIT A.

9. The applicant is prepared to invest fifty per cent of the cost of the project or $49,820 in accordance with the regulation on Government participation - Section 9 of Mineral Orders.

10. (a) The property involved in the exploration project is known as the East Hypotheek. It is owned and operated by the Hypotheek Mining and Milling Company. The East Hypotheek property consists of:

   1. Five patented mining claims.
   2. Three mining claims held by location.
   3. Patented homestead lands, the ownership of which includes both surface and mineral rights, and patented homestead lands upon which mineral rights only have been acquired.

10. (b) The exact area upon which the exploration is to be conducted and the legal description thereof:

1. Five patented mining claims known as the Rose Bird, Otto Fraction, Olson the Miner, Olson the Miner Fraction, Monty Cristo, and Monty Cristo Fraction, lying in Sec. 17, 18, 19, 20, T. 48 N., R. 2 E., B. M.
2. Patented homestead land of approximately 160 acres, including approximately 140 acres upon which mineral rights only have been acquired, and approximately 20 acres upon which both surface and mineral rights are owned by the company, described as the SW¼ of Sec. 18, T. 48 N., R. 2 E., B. M.

11. The present name of the property involved in the project is The East Hypotheek. It was formerly known as the King of Pine Creek, and the New Jersey Consolidated.

12. The property of the East Hypotheek is eight miles southeast of the town of Kellogg, Idaho. Both lead and zinc smelters are located at Kellogg. Kellogg is likewise the supply point for mining operations in the vicinity. Transportation to the mine is by truck over paved highways.

13. Ample water for purposes of exploration can be obtained from a nearby water-filled mine shaft. Water is also available from the West Fork of Pine Creek, one-half mile south of the property. Water from these sources is sufficient for mining and milling operations during all seasons.

The company purchases electric power from the Washington Water Power Company. The rate is $2.00 per KVA, plus ¾¢ per KWH.

14. The East Hypotheek property is presently equipped with:
Compressor and dry house (adequate and in good condition)
Blacksmith and machine shop (adequate and in good condition)
Hoist house (adequate and in good condition)
Single stage 240 cu. ft. compressor (inadequate)
One and one-half ton trammer with battery and charger (borrowed from adjacent mine)
Two mine cars (in poor condition)
Miscellaneous tools.

15. The ore can be trucked to custom mills. One mill is situated less than a mile away and the other less than two miles from the property. Concentrates of lead and zinc can be transported by truck to smelters at Kellogg over eight miles of paved highways.

16. (a) Previous exploration consists of two adits driven along mineralized veins. One adit, on the Olson the Miner claim, is 350 feet long. The other, opened on the Otto Fraction claim, is 380 feet long. In addition, a 300-foot vertical shaft has been sunk. Two levels have been opened from the shaft. The 200 level consists of about 400 feet of drifts and crosscuts, and the 300-foot level embraces about 600 feet of drifts and crosscuts. This work was completed by 1929. Operations were suspended in 1930 because of low metal prices. The only ore removed from the property consisted of that broken in development headings.

16. (b) The East Hypotheek property is joined on the east by the Sunset Minerals mine which has had a production of about 200,000 tons of ore valued at $3,000,000. On the west the property is joined by the Hypotheek mine which has produced 7000 tons of crude lead ore and lead concentrates from 1913-1927 valued at $500,000.
(c) There are no available reports on the property.

17. Not applicable. The mine is not in production.

18. (a) The mineralization on the property consists of the filled fissure type of zinc-lead deposit. Minerals consist of sphalerite and galena in a gangue of quartz and iron minerals.
(b) Attached are maps of the mine workings. Assay data covering previous development on the property have been lost. A few car samples from ore broken in a recent development heading averaged about 10 per cent combined lead and zinc and one ounce of silver per ton. Lead and zinc are present in about equal proportions. Several channel samples taken across the face of a drift recently driven gave 16.0 per cent lead, 9.3 per cent zinc, and 3.5 ounces of silver per ton. Selected samples of the "high-grade" assayed 12.6 per cent lead, 33.4 per cent zinc, and 4.0 ounces of silver per ton.
(c) Not enough work has been done on the property to block out appreciable quantities of ore.

19. The exploration project is designed to test a group of zinc-lead bearing veins lying between two productive mines within the Pine Creek mineralized belt. (See accompanying map showing the Pine Creek belt and the position of the East Hypotheek property within the belt.)

THE EXPLORATION

20. The exploration will be conducted to search for ores of zinc and lead along tabular vein-type of deposits.

21. The exploration is designed to prospect a northwesterly trending vein containing minerals of lead and zinc and concurrently explore a westerly striking vein system indicated by limited surface trenching. Underground methods are chosen because of deep surface covering, which includes bench gravel rendering mechanical trenching impractical. It is estimated that the program can be completed within 18 months.

The plan for carrying out the project is as follows: (see attached map)

1. Drift along the northwesterly trending vein for a distance of 800 feet.
2. Sink diamond drill holes # A-1 and # A-2.
3. Continue the drift along the northwesterly vein an additional 700 feet.
4. Drill hole # A-3.
5. If mineralized structures of the westerly vein system are found to persist and give promise of containing ore in the "A" series of holes, the "B" series, i.e., holes # B-1 and # B-2 are to be drilled to further prospect this ground.
6. Diamond drill holes # C-1 and # C-2 are to be drilled to explore the upward and lateral continuation of a vein opened on the 200 level of the mine by previous exploration.

7. Trench the South vein (see map) to demonstrate its continuity and sample any mineralization exposed.

22. The geological basis leading to the belief that the area to be explored may contain commercial ore bodies is as follows:

1. The area lies on the trend of ore bearing fissures of the Fine Creek belt of zinc-lead mineralization between two mines which have produced substantial quantities of ore.
2. Surface prospecting on the property, where surface debris is sufficiently thin to expose bedrock, has disclosed several veins.
3. The best known of these veins has been partly explored by an adit driven on the Otto Fraction claim. Drifting from this adit has recently opened mineralization consisting of stringers and rich bands of ore in a zone from two to twenty feet wide. This zone has been followed for a distance of 90 feet to date along the strike.

THE REQUIREMENTS AND COSTS

23. (a) Labor:

2 drift miners (contract at $13.00 per foot, miners to furnish at their expense drill bits), 1500 feet of drift and 95 feet of diamond drill stations	$20,735
1 mechanic and yard man	7,200
	$27,935

(b) Supervision

1 superintendent (part time)	$ 5,400
1 engineer (part time)	2,160
	$ 7,560

(c) Straighten and enlarge the first 320 feet of adit to provide for more efficient haulage and room for ventilation pipe $ 2,500

(d) None

(e) Cost of items of equipment not now owned by the applicant which must be purchased for operations at a cost of $50 or more each:

1 Air compressor	$ 3,500
1 Trammer	7,500
4 Mine cars @ $425/car	1,700
1 Loader	3,000
2 Drifters (DA 35 used)	1,000
	$16,700

(f) None

(g) None

(h) Cost of materials and supplies, including items of equipment costing less than $50 each

Drill steel	$ 1,116
Explosives	4,785
Caps and fuse	934

23. (h)

Air and water pipe	$ 750
Rail	1,065
Track ties	262
Fish plates, track bolts and miscellaneous supplies	750
Ventilation pipe	1,725
	$11,387

(i) Cost of power, water, utilities, and any other items not provided for above:

Power (estimated at $300 per month)	$ 5,400
Social security taxes - 3% of $35,495	1,064
Industrial insurance	1,800
	$ 8,264

Diamond drilling:

1750 feet of Ax hole @ $4.60 per foot	$ 8,050
1250 feet of Ax hole @ $4.95 per foot	6,187
	$14,237

Surface trenching and sampling South vein	$ 2,000
Cost of Project	$90,583
Add 10% for contingencies	9,058
Total Cost of Project	$99,641

24. Time schedule:

Month	Work Performed	Cost Per Month
1	100 feet drifting, 10 feet diamond drill station for D. D. Hole # C-1	$ 3,802.70
	Purchase mining equipment	16,700.00
	Straighten adit and provide room for ventilation pipe	2,500.00
2	100 feet of drifting	3,457.00
	Drill 250 feet Ax hole - Hole # C-1	1,150.00
3	100 feet of drifting	3,457.00
4	100 feet of drifting, 25 feet of diamond drill station for D. D. Hole # C-2 and # A-1	4,321.25
	Drill 500 feet of Ax hole - Hole # A-1	2,387.50
5	100 feet of drifting	3,457.00
	Drill 250 feet of Ax hole - Hole # C-2	1,150.00
	Trench South vein	2,000.00
6	100 feet of drifting	3,457.00
7	100 feet of drifting	3,457.00
8	100 feet of drifting	3,457.00
9	100 feet of drifting, 15 feet of diamond drill station for D. D. Hole # A-2	3,975.55
10	100 feet of drifting	3,457.00
	Drill 500 feet of Ax Hole - Hole # A-2	2,387.50
11	100 feet of drifting	3,457.00
12	100 feet of drifting	3,457.00
13	100 feet of drifting, 15 feet of diamond drill station for D. D. Hole # A-3	3,975.55
14	100 feet of drifting	3,457.00
	Drill 500 feet of Ax hole - Hole # A-3	2,387.00
15	100 feet of drifting	3,457.00
16	Cut 30 feet of diamond drill station for D. D. Holes # B-1 and # B-2	1,037.00
17	Drill 500 feet of Ax Hole - Hole # B-1	2,387.50
18	Drill 500 feet of Ax Hole - Hole # B-2	2,387.50
	Total Cost (approximate)	$90,583.00

EXHIBIT A

HYPOTHEEK MINING & MILLING COMPANY

—o-O-o—

Balance Sheet, as of December 4, 1951.

Assets:

Cash on Hand,	$ 2,803.66
Property,	155,586.50
Machinery & Improvements,	27,380.68
Development Expense,	251,077.29

Liabilities:

Accounts Payable,		$ 1,863.62
Capital Stock,		200,000.00
Surplus,		234,984.51
	$436,848.13	$436,848.13

Certified:

Roy H Kingsbury
Secretary-Treasurer

REQUIREMENTS AND COSTS
(Includes all drafts requested)

The plan for carrying out the project is as follows:

1. Drift along the northwesterly trending vein for a distance of 800 feet.

2. Sink diamond drill holes No. A-1 and No. A-2.

3. Continue the drift along the northwesterly vein an additional 700 feet.

4. Drill hole No. A-3.

5. If mineralized structures of the Westerly vein system are found to persist and give promise of containing ore in the "A" series of holes, the "B" series, i. e. holes No. B-1 and No. B-2 are to be drilled to further prospect this ground.

6. Diamond drill holes No. C-1 and No. C-2 are to be drilled to explore the upward and lateral continuation of a vein opened on the 200 level of the mine by previous exploration.

7. Trench the south vein to demonstrate its continuity and sample any mineralization exposed.

(a) Labor:

2 drift miners (contract at $13.00 per foot, miners to furnish drill bits at their expense) 1500 ft. of drift and 95 ft. of drill stations	$ 20,735
1 Mechanic and yard man	7,200

(b) Supervision:

1 Superintendent (part time)	5,400
1 Engineer (part time)	2,160

(c) Straighten and enlarge the first 320 ft. of adit	2,500

(e) Cost of items not now owned by applicant

1 Air Compressor	3,500
1 Trammer	7,500
4 Mine cars at $425 per car	1,700
1 Loader	3,000
2 DA-35 drifters	1,000
	~~$16,700~~

54,695

(h) Cost of supplies, including items of equipment costing less than $50.00 each:

Drill steel	$ 1166
Explosives	4785
Caps and fuse	934
Air and water pipe	750
Rail	1065
Fish plates, track spikes	750
Trackties	262
Ventillation pipe	1725
	11,387

11,437

(i) Cost of power, water, utilities, and other items:

Power (Estimated at $300/month	5,400
Social Security taxes - 3% of $35,495	1,064
Industrial insurance	1,800
	8,264 ✓

Diamond drilling:

1750 ft. of Ax hole at $4.60/ft	8,050
1250 ft. of Ax hole at $4.95/ft	6,187
	14,237 ✓

Surface trenching and sampling, south vein	2,000
Total cost of project	90,583
Add 10% for contingencies	9,058
	99,641

90,633
9063
99,696

Total length of project = 18 months.

Present equipment on property:

Compressor and dry house in good condition.
Blacksmith and machine shop in good condition.
Single stage 240 cu.ft. compressor in fair condition but inadequate.
Miscellaneous tools.

One and one-half ton trammer with battery and charger in good condition borrowed from an adjoining property.
2 mine cars in poor condition.
1 drifter in fair condition, borrowed from an adjoining mine.

Form MF-100
(May 1951)

U. S. DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Form approved.
Budget Bureau No. 42-R1026.

GENERAL TECHNICAL DATA
FOR USE UNDER THE
DEFENSE PRODUCTION ACT OF 1950

NOT TO BE FILLED IN BY APPLICANT

Docket No. DMEA-2420

Date received 3-13-52

HYPOTHEEK MINING AND MILLING COMPANY
510 Bank Street
Wallace, Idaho

Name and address of applicant

Date January 3, 1952

INSTRUCTIONS

This form is to be filed with Defense Minerals Administration, Department of the Interior, Washington 25, D. C. It should be accompanied by appropriate application form when a specific type of Government assistance is requested, in the form of (1) loan, (2) purchase contract, (3) Government guarantee of a private loan, (4) priorities or allocation of mining equipment, and maintenance, repair and operating supplies, and (5) other forms of Government assistance that might arise under the Act. Submit four (4) signed copies of the form and accompanying papers. Name and address should be stamped or typed on each sheet of this form and all accompanying papers. *When a question is inapplicable it should be so stated on the form.* Additional sheets may be attached in answering any questions or in supplying additional information. (IF YOU CANNOT ANSWER A QUESTION, SO STATE.) If a question is answered elsewhere indicate where answered. It is not necessary to answer it again.

GENERAL TECHNICAL DATA

Supply the following information on separate sheets, arranged, numbered, and lettered as indicated:

1. Materials produced:
   (*a*) What are the chief mine, mill, or smelter products?
   (*b*) What are the byproducts, if any?
2. Name(s) and type(s) of mine(s), mill(s), smelter(s), refinery(ies), pit(s), quarry (ies), drilling operation(s). Include old names of property, if any. Show extent of workings, including the following:
   (*a*) Linear feet of shafts.
   (*b*) Linear feet of drifts and crosscuts.
   (*c*) Linear feet of tunnels or adits.
   (*d*) Linear feet of other mine openings (explain briefly).

   Indicate whether mine is flooded or not. Describe any pumping problems. Give size or productive capacity.
3. For each operation listed above supply the following:
   (*a*) Distance and direction from nearest town and shipping point.
   (*b*) Mining district.
   (*c*) Township, Section, Range.
   (*d*) County, State.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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4. (*a*) State whether or not property is now in operation, and if in operation, by whom operated.
   (*b*) Are you operating this property as:
   - ☐ Owner.
   - ☐ Lessee.
   - ☐ Contractor.
5. Number of years in production _____

   If not in production or operation, estimated date when production will begin _____
6. Experience of operators:
   Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who manage the project.
7. History:
   (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for suspension of operation.
   (*b*) State briefly the known history and production of adjoining and neighboring properties.
   (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.

8. Names and addresses of Officers, Directors, or Partners, and in addition thereto, the five largest stockholders if applicant is a corporation.

Name and Address (a)	Official Title (If officer is also director indicate by "D") (b)	Total of Annual Salary, Commissions, Bonuses, Etc., Received From Applicant and Affiliates During Last Fiscal Year (c)	Estimated Net Worth Outside of Interest in Applicant (d)	Number of Shares Held in Applicant Corporation: Common (e)	Number of Shares Held in Applicant Corporation: Preferred (f)	Life Insurance Carried for Benefit of Applicant: Amount (g)	Life Insurance Carried for Benefit of Applicant: Net Cash Surrender Value After Loans (h)
Sig Torkelson	V-Pres. "D"	0		25,145		-0-	-0-
Roy H. Kingsbury	Manager "D" Sec.-Treas.	6,000		70,000		-0-	-0-
A. J. Teske	"D"	0		11,000		-0-	-0-
T. Towles	"D"	0		5,000		-0-	-0-
	Total		x x x x x			x x x x x	x x x x x

If more lines are needed continue on separate sheet.

9. Capital Stock Issues:

For Corporate Applicants

Item	Authorized (a)	Outstanding (b)	Par Value (c)	Number of Shares Outstanding (d)	Dividend Rate Last Paid* (e)
Common stock 2,000,000	$ 200,000	$ 200,000	$ 10¢	2,000,000	None
Preferred stock	$ None	$	$		

*Indicate period covered.

10. Production:

Item	Kind of Product (a)	1948 Total (b)	1949 Total (c)	1950 Total (d)	Present Average Monthly (e)
1. Quantity of product mined or quarried (Short, long, metric tons; barrels; pounds; etc.)	None				
2. Quantity of product processed (specify unit of measure and type of process)					
3. Quantity and grade of product sold or shipped (specify units of measure)					

11. Do you contemplate a change in the present average monthly rate of production? If so, state estimated maximum monthly production and basis of change.

12. Ore or Mineral Reserves:

(a) Describe the ore or mineral deposit briefly. Accompany the application by any available report on the geology and ore reserves.

Form MF-100

GENERAL TECHNICAL DATA

1. Materials produced:
   (a) Zinc-lead ores.
   (b) Silver.

2. East Hypotheek zinc-lead mine.
   (a) Shaft - 300 linear feet.
   (b) Drifts and crosscuts - 1190 linear feet.
   (c) Tunnels and adits - 730 linear feet.
   (d) None.
   The shaft levels are flooded. There are no pumping problems.

3. (a) The mine is about eight miles southwest of the town of Kellogg, Idaho. In Kellogg are located both lead and zinc smelters.
   (b) Yreka Mining District.
   (c) The mine is located in Sections 17, 18, 19, and 20, T. 48 N., R. 2 E., B. M.
   (d) Shoshone County, Idaho.

4. (a) The property is now being operated by the Hypotheek Mining and Milling Company.
   (b) The owner.

5. The property has produced no ore other than small quantities broken in development headings.

6. Experience of the operators:
   (a) The applicant, The Hypotheek Mining and Milling Company, was organized in 1901 and has been in operation intermittently since that time.
   (b) Mr. Roy H. Kingsbury, general manager, has held administrative positions in the mineral industry for the past fifty years. Mr. John Kingsbury, mine superintendent, has been actively engaged in mining in the Coeur d'Alene District for the past fifteen years.

7. History:
   (a) The original company was incorporated as the King of Pine Creek Mining Company in 1904. Operations at the King of Pine Creek property (East Hypotheek) have been carried on intermittently to the present time. Work at the mine has never proceeded beyond the exploratory and development stage, being suspended at various times because of low metal prices.
   (b) The East Hypotheek property is joined on the east by the Sunset Minerals mine which has produced 200,000 tons of zinc-lead ore valued at $3,000,000 since 1942. The East Hypotheek is joined on the west by the Hypotheek mine which has produced 7000 tons of crude lead ore and lead concentrates valued at $500,000.
   (c) No reports are available.

8. See Form MF-100.

9. See Form MF-100.

10. See Form MF-100.

11. Not applicable. The mine is not in production.

12. Ore or Mineral Reserves:
    (a) The mineralization on the property consists of the filled fissure type of zinc-lead deposit. Minerals making up the veins are sphalerite and galena in a gangue of quartz and iron minerals.
    (b) 1. Attached are maps of the mine workings. Assay data assembled by previous operators of the property have been lost. A few car samples taken from ore broken in a recent development heading averaged about 10% combined lead and zinc. These two metals are present in roughly equal proportions. Several channel samples taken across the face of a drift recently driven gave 16.0% lead, 9.3% zinc, and 3.5 ounces of silver per ton. The material sampled was a band of ore one to three feet wide lying on the hanging wall of a broad stringer zone.
    2. No ore has been blocked out at the mine.

13. Access Roads:
    Roads to the mine are paved highways. Kellogg, Idaho is eight miles from the mine. It is the supply point. Both lead and zinc smelters are located at Kellogg.

14. Water Supply:
    Water sufficient for mining purposes during all seasons of the year is obtained from a nearby water filled shaft. Water can also be made available from the West Fork of Pine Creek, one-half mile south of the mine.

15. Power:
    Power is purchased from the Washington Water Power Company. The present rate is $2.00 per KVA, plus ½¢ per KWH.

16. Labor:
    2 drift miners working on a contract basis at $13.00 per foot.
    1 mechanic and yard man - $400 per month.
    1 superintendent--part time supervisor - $300 per month.
    1 engineer--part time - $120 per month.

17. Equipment:
    The East Hypothesk property is presently equipped with:
    Compressor and dry house in good condition.
    Blacksmith and machine shop in good condition.
    Hoist house in good condition.
    Single stage 240 cu. ft. compressor in fair condition, but inadequate.
    One and one-half ton trammer with battery and charger in good condition, borrowed from an adjoining property.
    Two mine cars in poor condition.
    One drifter in fair condition, borrowed from an adjoining property.
    Miscellaneous tools.

18. No.

(*b*) If deposit is other than placer:

(1) Submit assay plans and/or sections showing location and size of proved (measured) and probable (indicated) ore or mineral reserve.

(2) State the tonnage (indicate type of ton) and grade of each class of ore reserve, as above, and show how computed. Tabulated total ore reserve as follows:

TOTAL ORE OR MINERAL RESERVES

Ore or Mineral Reserve	Estimated Tons (a)	Metal or Mineral Content Per Ton (Grade) (b)	Gross Value Per Ton (c)	Recoverable Unit Value Per Ton (d)	Estimated Cost of Production Per Ton (e)
Measured (proved) None					
Indicated (probable)					

(*c*) If placer:

(1) Give estimated total yardage and average marketable mineral content of each deposit.

(2) Submit map showing location of placer deposit and surrounding area, with all test holes or pits. Submit logs of each hole and test pit with depth and average value of each.

(3) Describe gravel, stating whether fine, medium or coarse; loose, tight, cemented, or frozen, and whether it contains stumps or boulders more than 1 foot in diameter; if so, how large, and in what proportion.

(4) Describe bedrock, giving type (granite, sandstone, shale, etc.) and state whether it is hard or soft, smooth, uneven or rough.

(5) Describe overburden, stating whether loose, tight, or cemented; fine or coarse textured; furnish estimate of average thickness and total amount.

(6) Tabulate the reserves using the form outlined above for ore or mineral reserves.

13. Access Roads:

Give road distances to shipping, supply and residence points, stating kind and condition of roads.

14. Water Supply:

State source and quantity of water available for operations and whether sufficient for all seasons of year.

15. Power:

State amount of power used, rate per hour, and source thereof.

16. Labor:

State number and classes (miners, muckers, millmen, etc.) of men employed during a recent representative payroll period.

17. Equipment and Facilities:

Describe present equipment on the property, including buildings. (State condition.) List major pieces of equipment now owned or controlled and in serviceable condition available for this operation.

18. Are there any particular conditions or circumstances affecting your operations that are not described above? If so, explain.

CERTIFICATION

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

Hypotheek Mining and Milling Company
(Name of company)

By Roy H. Kingsbury
(Signature of authorized official)

January 3, 1952
(Date)

Sec.-Treas and Manager
(Title)

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.

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UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

Project Summary Report

By: W. R. Griswold September 30, 1955

1. Docket No. DMEA-2420 (Lead-Zinc)
Contract No. Idm-E380
Property: East Hypotheek Mine
Shoshone County, Idaho

Operator: Hypotheek Mining & Milling Company
510 Bank Street
Wallace, Idaho

Operator's Property Rights: Purchase Agreement dated June 30, 1950.
Owners Consent to Lien dated January 18, 1952.

2. Contract dated August 4, 1952. To complete - 12 months.

Work Authorized

Rehabilitate 320 ft. of adit @ $8.00/ft.	$ 2,560.00
1300 ft. of drift @ $30.00/ft.	39,000.00
Excavate 3 diamond drill stations @ $350.00	1,050.00
1000 ft. AX diamond drill hole @ $4.60/ft.	4,600.00
500 feet AX diamond drill hole at $5.00/ft.	2,500.00
Equipment rental	2,500.00
Equipment purchase	12,200.00
Miscellaneous	1,000.00
Contingencies	5,000.00
Total estimated costs	$70,410.00
Government's participation @ 50%	$35,205.00

Amendments

No. 1. Dated September 11, 1952.

Deletes rental for Eimco loader and allows equivalent purchase. No overall cost change.

No. 2 Dated March 18, 1953.

Deletes purchase of diesel locomotive and two drifters but allows purchase of sinker drill. Also allows Depreciation for Mancha trammer and two drifters.

Amendments (continued)

No. 3 Dated September 28, 1953.

Increases the period for work completion from 12 to 24 months. Also allows project recess August 4, 1953 to April 1, 1954.

No. 4 Dated April 15, 1954.

Extends recess period from April 1, 1954 to July 1, 1954.

No. 5 Dated August 27, 1954.

Extends period for work completion from 24 to 26 months.

Work Completed

Drifting & crosscutting 731.9 ft. @ $33.41/ft.	$24,453.57
Drill station, 1 @ $292.80	292.80
Diamond drilling, 1402 ft. @ $5.20/ft.	7,292.83
Drift preparation 320 ft. @ $7.88/ft.	2,520.31
Total cost of project	$34,559.51
Government's participation @ 50%	$17,279.76

Work completed in October, 1954.

3. Audit Certificate July 25, 1955.

Operator's final report waived. Final Field Team report issued and received September 23, 1955.

4. Certification of Discovery issued October 29, 1954.

Ore estimate. Only a small tonnage of marginal ore was estimated, 5000 to 10,000 tons with a grade of 1.0 percent lead and 6.2 percent zinc.

5. Comments

The exploration project at the East Hypoteek mine had three objectives: (1) to explore for the faulted extension of a known lead- and zinc-bearing vein in the North Adit; (2) to explore the downward continuity of ore disclosed in the drift prior to the exploration project contract; and (3) to explore for possible parallel or intersecting veins to the northeast of the North Adit vein.

Generally speaking results were negative, little was found that could be considered as significant.

There were no unusual difficulties encountered during the course of the project work. The work completed was performed in a workmanlike manner, and the standard of work was good.

Government participation in further exploration based on available data is not recommended.

W. R. Griswold

WRG/er 10/3/55

Copy to: Docket
Base Metals
Chron.

☒ Audited

☒ Certified

WORK ANALYSIS SHEET - DMEA PROJECT

Analysis as of 9/8/55.
Incl. Voucher for Aug. 1953.

☒ Actual Cost

☐ Agreed Unit Costs

Name HYPOTHEEK MINING AND MILLING COMPANY

Docket No. 2,420

State IDAHO

Commodity LEAD-ZINC

Idm-E No. 380

OPERATION	AUTHORIZED Units	AUTHORIZED Cost	COMPLETED Units	COMPLETED Cost	NET COST
Drifting & Crosscutting	1,300'	$39,000.00	731.9'	$19,030.68	$22,666.22
Raising					
Shafts					
Winzes					
Drilling (Specify) Diamond (AX)	1,500' 1,000'@ 4.60 500'@ 5.00	7,330.00	1,402'	4,853.58 / 1,493.75 / 260.00 / 6,607.33	~~7,315.66~~ 2,292.86
Surface Excavation Bulldozing		224.00		224.00	224.00
Underground Excavation D.D. Stations		1,050.00		292.80	292.80 not credit
Roads and Trails					
Operating Equipment Purchased		8,070.00		7,233.32	1,833.32
Surface Rehabilitation & Repairs					
Underground Rehabilitation		2,560.00		2,520.31	2,520.31
New Building, Improvements, etc.					
Other (Specify) Depreciation 520.00, Contingencies* 5,000.00 Misc. 6,656.00		12,176.00		4,451.07	4,451.07
Totals		$70,410.00		$40,359.51	$34,559.51

* maximum 11 years repayment period.

F.T. Final Reports received, checks audit.

No termination to date.

Proceeds from Property Disposition

Equipment Purchased		$5,400.00
Pipe	$100.00	
Tra[illegible]	250.00	
Vent. Pipe	25.00	
Electric Cable	25.00	400.00
		$5,800.00

Prepared by W. R. Klugescheid

Royalty Payments to 12/31/55. None

X copied.

71626

☐ Audited

☑ Certified

WORK ANALYSIS SHEET - DMEA PROJECT

Analysis as of 12/14/54
Incl. Voucher for Aug - '53.

☑ Actual Cost

☐ Agreed Unit Costs

Name Hypothecat Mining and Milling Co.

Docket No. 2420

State Idaho

Commodity Lead-zinc

Idm-E No. 380

OPERATION	AUTHORIZED Units	AUTHORIZED Cost	COMPLETED Units	COMPLETED Cost	NET COST
Drifting & Crosscutting	1,300	39,000.00	731.9	17,795.21	21,638.98
Raising					
Shafts					
Winzes					
Drilling (Specify) Diamond (AX)	1,500 @ 60 + 50 = 100' @ 50	7,100.00	957	4,853.58	4,853.58 **
Surface Excavation Backfilling		224.00		224.00	224.00
Underground Excavation D.D. Stations		1,050.00		292.80	352.57
Roads and Trails					
Operating Equipment Purchased		8,300.00		8,025.74	8,025.74
Surface Rehabilitation & Repairs					
Underground Rehabilitation		2,560.00		2,530.21	3,077.74
New Building, Improvements, etc.					
Other (Specify) Equipment depreciation (520.00), miscellaneous (680), and contingencies (500.00) *		12,176.00 ~~12,400.00~~		4,451.07	4,451.07
Totals		70,410.00		37,948.61	37,948.61

* Maximum

** Last month payment withheld; completed waiting for audit & final plan reports.

Prepared by JEJ

71626

Drilling

475' 2"	@	3.60	$1,710.60
46' 10"	@	4.60	2,193.44
5'-0"	@	4.95	24.75
			83.90

Standby Time.

957'-0" $4,012.69

300'	@	3.25	975.00
100'	@	3.50	350.00
45'	@	3.75	168.75

445'

1,402'

(2) Total 1,493.75

$5,506.44

Other Drilling Charges on 1st Total,

Power	208.79
Compressor Oman	384.80
Core Boxes	142.30
Supervision etc	105.00
	$840.89

(3) Total $4,853.58

$\frac{698.59}{4,012.69} \times 1493.75 = 260 \times$

(over)

840.89	
142.30	Core Boxes
698.59	

5,506.44
840.89
4,665.55
347.33
4,318.22

Compressor Install. 1530.96
Contingencies. 2914.21
4,451.07
Contingencies

Changed to
Comp. Install. 1537.30
2,913.77
4,451.07

~~Bulldozing~~	~~$ 267.00~~
Bulldozing	$ 224.00
Equip. Purchased	7,233.32
Less Proceeds	5400.00
	1,833.32
Drilling	5,506.49
Cor. Boles	142.30
Depreciation	455.00
Initial Rehab. (Thais)	2,520.31
~~Completed Installation~~	~~1,537.30~~
See Analysis Sheet.	
Total Spent Net.	34,557.51
~~Pipe~~	100.00
~~Tank~~	250.00
Vent Pipe	25.00
Electric Cable	25.00
Proceeds from Sale	400.00

12,400.00
224.00
12,176.00

18,700
8,300
7,400

20,700
8,300
12,400

12200
6400.00
5,800

6880
5000
5520
12400

12176
5520.00
6,656

1536.76
2914.31
4451.07

2500
4600
7100

Drst HCS 19,030.68
− 400.00 cable
18,630.68

Drilling Stations 6,607.33
292.80
6,900.13

18,630.68
6,900.13
25,530.81
0.7297
0.2703.

Compressor Install. 1,537.30
0.2703
415.53

1537.30
− 415.53
1,121.77

18,630.68
1,121.77
2,913.77
$22,666.22 Drst HCS.

6900.1
415.53
7,315.66
Drilling

8300
230
8070

7100
230
7330

IN REPLY REFER TO:

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

RECEIVED
SEP 27 1955

September 26, 1955

Re: DMEA 2420, Idm-E380
Hypotheek Mining & Milling Co.
East Hypotheek Mine
Shoshone County, Idaho
$70,410.00 - Lead, Zinc

Memorandum

To: W. R. Griswold, Defense Minerals Exploration Administration

From: N. E. Nelson, U. S. Geological Survey

Subject: Review of Field Team Final Report.

The numbered contract was awarded for the purpose of exploring a weakly mineralized shear zone in the East Hypotheek mine, which is located in the much larger Yreka zone in the Pine Creek District, now considered one of the outstanding structures of the Coeur d'Alene system.

The contract was terminated after the expenditure of $34,559.51 had yielded a relatively small tonnage of marginal material. A certificate of discovery, dated October 29, 1954, was issued but exploitation of present reserves (5,000 to 10,000 tons) as a single objective appears remote.

The conclusion of the examiners based on available data that Government participation in further exploration is not warranted is accepted as appropriate and justified.

N. E. Nelson

N. E. Nelson

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

September 19, 1955

Mr. George C. Selfridge, Chairman
DMEA Operating Committee
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420 (lead-zinc)
Hypotheek Mining and Milling Company
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Selfridge:

Enclosed are four copies of the Field Team final report on the East Hypotheek mine, written by Eric G. Erickson, Bureau of Mines, and Arthur B. Campbell, Geological Survey.

A Certification of Discovery or Development was issued October 29, 1954. The authors state that available data indicate the existence of only a small marginal ore shoot, but dewatering of shaft workings might disclose an exploration target. Existing data show no justification for Government participation in further exploration.

By Field Team, Region I, NW District

Verne C. Fryklund

Verne C. Fryklund, Jr., Acting Exec. Officer
U. S. Geological Survey

Stephen W. Zoldok

Stephen W. Zoldok, Acting Member
U. S. Bureau of Mines

Enclosures

cc: USBM (2)
USGS (SRO)
Campbell

Reviewed by
DMEA OPERATING COMMITTEE
9-26-55
(date)

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DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

FIELD TEAM, REGION I
Northwest District

FINAL REPORT

Contract Idm-E380

by

Eric G. Erickson
Mining Engineer
U. S. Bureau of Mines

Arthur B. Campbell
Geologist
U. S. Geological Survey

HYPOTHEEK MINING AND MILLING COMPANY
510 Bank Street
Wallace, Idaho

Docket No.:	DMEA-2420
Commodity:	Lead-Zinc
Contract date:	August 4, 1952
Completion date:	October 4, 1954

EAST HYPOTHEEK MINE
Yreka Mining District
Shoshone County, Idaho

Spokane, Washington

August 1955

Reviewed by
DMEA OPERATING COMMITTEE
9-26-55
(date)

FINAL
F.T. REPORT

FINAL REPORT

HYPOTHEEK MINING AND MILLING COMPANY
East Hypothook Mine
Yreka Mining District
Shoshone County, Idaho

Contract Idm-E360

✡ ✡ ✡ ✡

INTRODUCTION

This report describes an exploration project conducted jointly by the Hypothook Mining and Milling Company and the Defense Minerals Exploration Administration for zinc-lead ores at the East Hypothook mine, Yreka Mining District, Shoshone County, Idaho.

Summary

The exploration project at the East Hypothook mine had three objectives: (1) to explore for the faulted extension of a known lead- and zinc-bearing vein in the North Adit; (2) to explore the downward continuity of ore disclosed in the drift prior to the exploration project contract; and (3) to explore for possible parallel or intersecting veins to the northeast of the North Adit vein.

The project consisted of surface plant installation, 325 feet of adit tunnel enlarging, 732 feet of drifting and cross-cutting, 1,402 feet of diamond drilling, and 12 feet of back enlargement for diamond drill station. The exploration work at drift elevation failed to find an extension of the known vein. It is now believed that the fault which terminates the vein was a pre-mineral fault. Intersecting veins were cut, but none appeared to warrant additional exploration. Two diamond drill holes cut ore in the Main Vein under the known ore about 140 feet below the North Adit level. (Diamond drill hole logs in pocket.)

Recommendations

Certification of Discovery or Development was made, and the Operator was notified of this action in a letter from the Administrator, DMEA, dated October 29, 1954.

The ore exposures seen in the North Adit and in Diamond Drill Holes No. 2 and No. 3, and shown on the 300-level map, indicate the existence of only a small marginal ore shoot; therefore, additional work on the vein between this adit and the 300 level does not warrant Government participation.

Available geologic maps and other data show no justification for Government participation in further exploration; however, should the shaft workings be dewatered an examination may disclose a worthwhile exploration target.

LOCATION AND ACCESSIBILITY

The mine property is in secs. 17, 18, 19, and 20, T. 49 N., R. 2 E., B.M., Yreka Mining District, Shoshone County, Idaho. The property may be reached by road from Kellogg, Idaho, by traveling west on U. S. Highway 10 to Pinehurst, Idaho, then south on the Pine Creek road for a distance of about 3.5 miles. The mine site including three buildings and the portal can be seen on the west side of the narrow valley at road level.

The area is mountainous with a relief in the immediate vicinity of the mine of about 1,300 feet. Winters are moderately severe with heavy snowfall, but the mine is located on an all-weather road so that a year around operation at the property would be feasible.

PROPERTY

The Operator's property rights, located in Pine Creek area of the Yreka Mining District, are set forth in Annex I of the exploration project contract as follows:

South Half (S½) of Southeast Quarter (SE¼) of Southeast Quarter (SE¼), being a part of Lot 8, of Section Eighteen (18), Township Forty-eight (48) North, Range Two (2) East B.M.

All Mines and minerals, lodes, veins, mineral deposits, mineral oils and natural gases of every kind and nature contained in or upon the North Half (N½) of the Southeast Quarter (SE¼) and Lots Seven (7) and Eight (8) of Section Eighteen (18), Township Forty-eight (48), North, Range Two (2) East B.M., containing 149.75 acres.

Together with all easements and rights of way necessary therein for the lawful exploration, development and mining operations necessary for the operation of said mineral property for the extraction of ores and natural resources heretofore named and the marketing of the same, if any.

"All of the foregoing property is described in a deed from Charles Zonek, a widower, recorded in Book 56 of Deeds, page 15, Official Records of Shoshone County, Idaho.

"Lot Three (3) and the Northeast Quarter (NE¼) of Southwest Quarter (SW¼) and the Southeast Quarter (SE¼) of Southwest Quarter (SW¼) of Section Eighteen (18) and the Northeast Quarter (NE¼) of Northwest Quarter (NW¼) of Section Nineteen (19), Township Forty-eight (48), North, Range Two (2) East of Boise Meridian, containing 159.53 acres, known as the George Lightbody Homestead.

"B-29, P-38 and Catalona Fraction Unpatented Lode Mining claims, notices of location of which said claims are of record in Book 27 of Quartz Locations, at pages 475, 476 and 477 respectively, official Records of Shoshone County, Idaho.

"Monty Fraction, Monty Christo, Olson the Minor, Otto Fraction, Olson the Minor Fraction, and the Rose Bird patented lode mining claims, Mineral Survey No. 3197, United States patent for which is recorded in Book 64 of Deeds, pages 142, 143 and 144, Official Records of Shoshone County, Idaho.

However, excluded from the above is the following:

"A portion of the Rose Bird Claim, Survey No. 3197, situated in the SW¼ of Section 17, Township 48 North, Range 2 East B. M., in Shoshone County. Beginning at Corner No. 4 of said Rose Bird Lode which is also the NE corner of the tract, and running thence South 4° 14' East 240.77 feet to intersection of line 1-4 Gold Standard Lode, Survey No. 2641 to a point; thence South 9° 34' West 144.23 feet to corner No. 1 of said Gold Standard Lode: thence South 77° 48' East 35.41 feet to intersection of line 4-1 Rose Bird Lode; thence S. 4° 04' East 139.19 feet to the South East corner of the tract; thence North 88° 45' 30" West 180 foot to the South West corner of the tract; thence North 4° 04' West 530 foot to the North West corner of the tract; thence South 88° 45' 30" East 180 feet to the North East Corner of the tract and the place of beginning; containing 2.1 acres; recorded in Book 76 of Deeds, Page 31, records of Shoshone County, Idaho."

The East Hypothesis mine was formerly known as the King of Pine Creek property. In 1904 the King of Pine Creek Mining Company was incorporated to explore the property. Exploration work has been intermittent up to the present time. During the period 1904 to August 1952, the date of the exploration project contract, exploration work included a 300-foot, two-compartment vertical shaft and two working levels, a total of about 1,250 foot of crosscut and drift. About 700 feet of drift and crosscut had also been driven from a portal located approximately 200 feet north of the shaft.

A south adit, about 300 feet south of the shaft, had been driven about 400 feet. The north adit workings were extended by 732 feet of drift and crosscut, and 1,412 feet of diamond drilling was performed from the level under the NMA contract.

The mine plant includes three buildings, a main compressor house, workshop and dry house, a smaller combination compressor house, and a store house. The compressor housed in the main building is an Ingersoll Imperial No. 10; a 240 c.f.m. auxiliary compressor is housed in the smaller compressor building.

The mine is equipped with mechanical loader, battery locomotive, several mine cars, and sufficient miscellaneous mine tools and equipment adequate for a small operation employing about six to ten men.

The mine workings stand well and do not require timber or other support except in faults and adjacent sheared areas.

The shaft and lower workings are presently flooded. All ventilation is by mechanical blowers.

GEOLOGY

Summary of Regional Geology

The country rock of the Coeur d'Alene district is composed of metasedimentary rocks of the Precambrian Belt series that have been folded, faulted, and intruded by monzonite stocks and by dikes of various compositions. Although no stocks are known in the Pine Creek area, there is a possibility, based on the interpretation of an aerial magnetometer survey, that an intrusive body may exist at depth. The column of metasedimentary rocks consists of some 20,000 to 25,000 feet of quartzites and quartz argillites; it has been subdivided into six formations on the basis of lithology. Only the Prichard formation is in the vicinity of the East Hypothesis mine.

Recent work by the U. S. Geological Survey has shown that the productive veins of the Coeur d'Alene district occur in seven distinct zones. These zones have a generally northwesterly trend that is at a slight but definite angle to the Osburn fault, the most striking structural element of the area. Five of the zones are north and two are south of the Osburn fault. The Yreka shear zone, one of the zones south of the fault, contains the mines of the Pine Creek area, including the East Hypothesis mine.

A comprehensive coverage of the regional geology may be gained through a review of the literature listed in the selected bibliography at the end of this report.

Local geology

The Yreka shear strikes generally N. 70° W. and varies in width from 500 to 2,500 feet. It cuts the north limb of the Pine Creek anticline and, in part, parallels the fold axis. The East Hypothesis mine is at the western end of the known extent of the shear zone, near the axis of the anticline.

The Prichard formation at the mine consists of light-gray to tan, fine-grained, quartzites and dark-gray quartz argillites, with some rocks present that are intermediate between these two types. Local alteration along the vein has differentially leached the cement from some of the quartzites resulting in 1- to 4-foot irregular shaped masses of friable sand. Two lamprophyre dikes were cut in the mine but age relationship with the ore could not be determined.

The quartzites occur interbedded with the more argillaceous rocks in a stratigraphic member about 2,100 feet thick that strikes northwesterly paralleling both the Yreka shear zone and the axis of the Pine Creek anticline. Some geologists in the Coeur d'Alene area believe that these competent quartzite and incompetent argillite beds have been a controlling factor in the deposition of ore in the Pine Creek area, but the occurrence of large ore shoots in other mines in the Yreka shear zone but not in this quartzitic member indicates that this is not an exclusive control.

The strike of the bedding in the mine is generally northwest with a northeast dip but small scale folding causes local variations.

Mineral Deposits

The ore-bearing structure in the East Hypothesis mine has a general strike of N. 45° W. and an average dip of 60° SW. The vein is a replacement deposit within a relatively narrow zone of shearing. The ore minerals are galena, sphalerite, and minor amounts of chalcopyrite in a gangue of pyrrhotite and quartz. Accessory minerals are pyrite and a carbonate (probably ankerite). It is common to find the vein composed of many stringers of fine-grained galena and sphalerite without gangue minerals and separated only by unreplaced country rock. No specific paragenetic information was gained at this property, but the established sequence for ores in other mines in the Pine Creek district is pyrite, carbonate, pyrrhotite, sphalerite, galena, and quartz.

Ore minerals are exposed in the North drift from the portal back about 400 feet, where the mineralized portion of the vein pinches

out against a relatively tight fault striking N. 25° W. and dipping 57° SW. The width of ore is erratic throughout the 400-foot length of vein and only one section about 60 feet long located near the vein-fault intersection is of economic interest. Plate I shows vein widths and assay values along this portion of the vein.

The contact of the vein and the fault is accompanied by shearing of the ore minerals and a minor amount of dragging of ore into the fault. This evidence suggested the possibility that post-mineral faulting cut the vein and that a faulted segment of the ore shoot might be found to the north or northeast. Drag folding in the country rock indicates a reverse movement on the fault, thus throwing any possible faulted vein segments to the north. A misinterpretation of the movement on the fault was conceivable as drag folding is not always a reliable indication of the direction of movement in this area, so the exploration work was designed to test both possibilities. Additional drifting, crosscutting, and diamond drilling were negative in the search for the faulted segment and the additional evidence gained supports the contention that the fault was pre-mineral and that the highly impermeable gouge acted as a dam to the advancing mineralizing solutions. Post-mineral movement, probably slight, along the fault resulted in the sheared ore minerals found along the contact today.

The shear followed to the north from the ore shoot was barren except for a few scattered small stringers of galena and rare sphalerite. Several east-west-trending veins of barren quartz were cut on the footwall of the fault, but none appeared to warrant further exploration. The largest of these intersecting veins was cut soon after the DMEA advance was begun and is a barren quartz vein nearly 7 feet wide. This is undoubtedly one of the several barren quartz veins known to crop out north of the portal of the mine.

THE PROJECT

The DMEA contract area was a large block of virtually unexplored ground between two producing mines (Hypothesis and Sunset Minerals mines) in a structural belt having an impressive history of lead-zinc-silver-copper production. Following is a summary of production from major mines in the Yreka shear zone, viz., the Sidney, Constitution, Highland Surprise, Sunset Minerals, Douglas, and Nabob, as of the end of 1953:

Ore (tons)	Lead (pounds)	Zinc (pounds)	Silver (ounces)	Copper (pounds)	Gold oz.
2,443,422	173,510,430	389,168,837	3,976,201	2,971,285	8,281

At the time this application was under consideration (February-March 1952) the drift was following a well-developed mineralized vein similar to the productive veins in the area. Knowledge at that time indicated that the geologic target was commensurate with the planned exploration program.

The contract authorized Government participation in the following program:

1.	Rehabilitate, enlarge, and straighten 320 foot of Adit drift	$ 2,560.00
2.	Drift on Main Vein and others, a maximum of 1,300 feet	39,000.00
3.	Excavate 3 diamond drill stations	1,050.00
4.	Drill 1,000 feet AX diamond drill holes at $4.60/foot	4,600.00
5.	Drill 500 feet AX diamond drill holes at $5.00/ foot	2,500.00
6.	Operating equipment to be rented	2,500.00
7.	" " " " purchased	12,200.00
8.	Miscellaneous	1,000.00
9.	Contingencies	5,000.00
	Total	$70,410.00

The drifting was planned to follow the vein structure in a search for possible ore shoots of commercial importance. The drifting would also test the intersections of the Main vein with a series of east-west-striking veins believed to exist north of the North Adit. Two diamond drill holes directed northward were also planned to intersect the east-west vein system. Two shorter diamond drill holes directed southward were intended to test for the projection of a parallel vein believed to exist on the flooded 200 level.

The vein had apparently been cut by a fault, and the drift had been turned north to follow the fault by the time the contract was signed. At that time it was decided that the drift

should follow the fault in an attempt to find the faulted segment in the hanging wall. The fault was drifted on for about 180 feet, except where it was left in the west wall for short distances because the drift miners neglected to turn the heading soon enough to follow irregularities. With only minor exceptions the fault was barren for the entire distance. The drift ran out into the hanging wall of the fault at a point near the north dike. The drift was being turned back to the northeast to intersect the fault again when it was decided to stop the drifting and to test the walls of the fault in that area with a diamond drill hole from the drift face.

The diamond drilling to the north which had been planned was omitted because the ground to be explored by the holes was cut by the drift which had been turned more northerly than originally expected.

At that time it was still believed that a faulted segment of the vein existed somewhere in the hanging wall of the fault. The fact that no such segment had been found in the drift suggested three possibilities: (1) the faulted segment of the vein had been missed in an area where the fault had been left in the drift's west wall; (2) the segment of the vein west of the fault was a tight barren block at the point of intersection with the fault and was not recognized; or (3) the interpretation of reverse movement on the fault had been wrong and that normal movement had displaced the vein farther to the west than had been thought.

These possibilities were checked by three diamond drill holes (DDH Nos. 4, 5, and 6) southwest from the drift. None of these holes cut ore minerals.

It was then decided to drive a crosscut to the southwest from a point northwest of the intersection of the vein and fault to: (1) test for a possible faulted vein segment (assuming normal movement on the fault), (2) test for a parallel vein believed to exist on the 200 level and which originally was to have been explored by diamond drilling, and (3) serve as a diamond drill station. No mineralized structure was cut by the crosscut. Two diamond drill holes (DDH Nos. 2 and 3) were drilled down to the southeast from the end of the crosscut. Both holes encountered ore in the downward extension of the vein seen in the adit. Ore widths and assays of these cores are included elsewhere in this report. The two planned diamond drill holes to the south from the drift were omitted after the crosscut had proven the lack of a parallel structure.

The final phase of the project was a diamond drill hole (DDH No. 7) drilled to the northeast from the north end of the adit. The purpose of this hole was to test for the continuation of a sparsely mineralized but well-developed vein structure known to exist at the Sunset Minerals mine property about 3,000 feet east of and across the Pine Creek valley from the East Hypothesis adit. The hole was drilled to a length of 445 feet, but no significant vein structure was cut.

The exploration project started August 4, 1952, and was completed October 4, 1954. The initial preparation and enlargement of the existing adit drift was prolonged over a period of 4 months. Although more enlarging was necessary than originally anticipated, this phase of the project could have been completed sooner had the Operator been financially able to employ more than one shift. The drifting and crosscutting completed in June 1953 could also have been completed earlier if two or more shifts had been employed. Diamond Drill Holes No. 2 to 6, inclusive, were completed during the period July 7 to August 6, 1953 (Hole No. 1 was drilled prior to the exploration project contract).

The project was officially recessed from August 4, 1953, to July 1, 1954. During the recess period the Operator requested several contract changes that were not approved. Contract work was terminated on October 4, 1954, with the completion of Diamond Drill Hole No. 7.

Ore Reserves

The ore reserves are below the adit drift and are based on available maps of the 200 and 300 levels, by the ore exposed in the drift, and by the two diamond drill hole intersections. The ore reserves are estimated to be 5,000 to 10,000 tons and, because of the small tonnage, reserves are lumped and not classified as to measured, indicated, and inferred. The reserves based on the two diamond drill hole intersections are estimated to contain 6.2 percent zinc and 1.0 percent lead. Factors of 10 cu. ft. per ton and a mining width of 5 feet were used for estimating reserves. The reserves are considered submarginal in view of the small tonnage, high mining cost, and refractory nature of the ore. No production is expected in the foreseeable future.

One hundred and eighty-four tons of ore extracted from the adit drift and stockpiled prior to the DMEA contract was milled at the Sunset Mines mill. The ore had been on the dump several years and had oxidized. The mill produced 7.29 tons of zinc concentrates and 2.862 tons of lead concentrates from this ore. The

zinc concentrates assayed 47.9 percent zinc, 5.4 percent lead, 2.2 ounces of silver, 0.007 ounce of gold, 1.7 percent insoluble, and 11.1 percent iron. The lead concentrates assayed 0.08 ounce of gold, 10.2 ounces of silver, 1.45 percent copper, 35.4 percent lead, 22.9 percent iron, 0.3 percent insoluble, 27.0 percent sulfur, 5.5 percent zinc, 0.07 percent antimony, 0.36 percent arsenic, and 0.0176 percent bismuth. The recovery, estimated to be about 70 percent, and the grade of the concentrates were considerably lower than average for the producing mines in the vicinity, but it is expected that both could be improved if the ore treated was newly mined and not oxidized. There was some question as to whether this ore, which was mined before the contract was subject to DMEA royalty, and in a Field Team letter dated December 10, 1954, the problem was presented to the Operating Committee. In a letter to the Executive Officer dated January 6, 1955, the Operating Committee stated that in the case no royalty was due.

The present ore reserves do not warrant rehabilitation of the shaft and lower workings for the sole purpose of extracting them. Winzing or underhand stoping would also prove too costly. A larger program including further exploration would have to be undertaken to justify the rehabilitation cost. Therefore, exploitation of present reserves as a single objective appears quite remote at present metal prices.

Summary of Factual Data

Following is a tabulation of costs as allowed by the final audit:

Item	Allowed by Audit
(1) Independent Contracts	
Drilling	$ 5,506.44
Bulldozing	224.00
(2) Labor and Supervision	
Labor	13,730.39
Supervision	2,805.00
Technical Services	105.00
(3) Operating Materials and Supplies	
Timber	201.61
Explosives	2,259.21
Pipe	471.56
Track	493.05
Drill steel	856.33
Core boxes	142.30
Ventilation pipe	195.00
Electric cable	51.80
Electric power	2,238.99
Miscellaneous	495.53
(4) Operating Equipment	
Rental	-0-
Purchase	1,833.32
Depreciation	455.00
(5) Initial Rehabilitation	-0-
(7) Miscellaneous	
Payroll taxes	376.27
Compensation insurance	581.41
Power	-0-
(8) Contingencies	
Compressor installation	1,537.30
Total	$34,559.51

The following tabulation shows the main work items, number of units, unit cost, and total cost:

Item	No. of units	Unit cost	Total cost
Drifting and crosscutting	731.9 ft.	$33.41/ft.	$24,453.57 1/
Drill station	1	292.80	292.80
Core drilling	1402.0 ft.	5.20/ft.	7,292.83
Drift preparation	320.0 ft.	7.88/ft.	2,520.31 2/
			$34,559.51

1/ Includes Contingencies ($1,537.30) and Operating Equipment Purchase ($1,833.32).

2/ Includes bulldozing portal site.

The following tabulation shows the equipment items purchased, cost to the project, and appraised value at time of liquidation:

Item	Allowable cost	Appraised value	Cost to project
Compressor and installation	$3,422.74	$2,200.00	$1,222.74
Eimco B-12 mechanical loader	2,500.00	1,900.00	600.00
Drill and accessories	553.00	300.00	253.00
4 mine cars	1,550.00	1,000.00	550.00
	$8,025.74	$5,400.00	$2,625.74

The Operator's bid of $2,700.00 for the Government's 50 percent equity in the appraised value of the equipment was accepted, and his bid of $200.00 for the Government's equity in the probable salvage value of pipe, track, etc., was also accepted. All items of equipment except the drill and accessories were secondhand when purchased for the project.

Discussion of Conclusions

There were no unusual difficulties encountered during the course of the project work. The work completed was performed in a workmanlike manner, and the standard of work was good. The greatest handicap to the performance of the project work was financing. The financing for lead and zinc exploration became more difficult as the market price for these metals became weaker. Acquisition of the compressor was delayed, which also affected the time schedule. The over-all costs for the project work compare well with costs of like work under similar conditions at other projects.

The Operator's progress reports were unduly late, probably because of the company's activity at other properties, including uranium, which overtaxed their small working staff.

Government participation in further exploration based on available data is not recommended.

Enclosures

Distribution:
DMEA (4)
USBM (5)
USGS (SRO)
Docket
Campbell

Selected Bibliography

Campbell, Arthur B, Geologic map of the Smeltervillo and vicinity quadrangle, Idaho: U. S. Geol. Survey Open File, June 1, 1953.

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Jones, J. B., Jr., A reconnaissance of the Pine Creek district, Idaho: U. S. Geol. Survey Bull. 732, 1919.

Ransome, F. L. and Calkins, F. C., The geology and ore deposits of the Coeur d'Alene district, Idaho: U. S. Geol. Survey Prof. Paper 62, 1908.

East Hypotheek Mine

Diamond Drill Hole No. 2

Core Log (by V. Hammerand)

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Level-North adit
Collar Coordinates-N 9854.0, E 8079.5
Bearing-S 57° E.
Inclination--58°
Length-198'-0"

0 to 84'-10"-Moderately coarse-grained gray and white quartzite locally stained by brown and red iron oxide.

At 12'-0"-A little disseminated pyrite.

At 34'-0"-18" disseminated pyrite.

At 43'-7" to 60'-0"-Scant to moderately abundant disseminated pyrite and chlorite. Some is partly oxidized.

At 57'-0"-12" band of irregular vuggy pyrite stringers each about 1/4" wide. Also scattered blebs of pyrite.

At 63'-0"-One 1/2" core fragment of pyrite recovered.

At 60'-0" to 77'-0"-Disseminated pyrite and chlorite at intervals along course of the hole.

At 70'-0"-One 1/2" "vuggy" quartz stringer and one 1/4" "vuggy" stringer; about 2" apart.

At 77'-0"-32" of core partly silicified. At 78'-0" 1/2" to 1" vein quartz stringer, at 79'-6" one 2" glossy quartz stringer.

At 82'-8"-4" of core nearly replaced by vein quartz.

84'-10" to 86'-1"-15" bed dense gray-green argillaceous quartzite with 3" coarse gray quartzite near center.

86'-1" to 97'-0"-Moderately coarse-grained white and gray quartzite locally stained brown or red by iron oxide.

97'-0" to 101'-0"-Very fine-grained to dense dark-gray argillaceous quartz and siliceous argillite.

At 99'-8"-Disseminated pyrite on beds, rock is partly silicified.

101'-0" to 157'-0"-Fine to medium-grained gray quartzite. Rock here and there stained by iron oxide.

At 141'-9"-40" scattered bunches, stringers and disseminated grains of sphalerite, galena, and pyrite. Grade of 40-inch band showing lead and zinc estimated to be moderate.

At 147'-5"-20" band of abundant pyrite as fine and coarse disseminated grains and as tiny seams.

Diamond Drill Hole No. 2

At 151'-6" to 162'-0"-Core partly silicified and cut by scattered quartz stringers up to 2" wide. Scattered grains and small stringers of pyrite. A few grains of sphalerite observed in two places. (Mineralized core recovered-20'-3". True width of vein, about 10 feet)

157'-0" to 192'-6"-Laminated dark-gray siliceous argillite.

At 162'-0" to 167'-0"-Ten 1/4" to 1/2" barren quartz stringers.

192'-6" to 198'-0"-Laminated dark-gray argillite.

East Hyrcotheek Mine

Diamond Drill Hole No. 3

Core Log (by V. Hammerand)

Level-North adit
Collar Coordinates-N 9853.0, E 8078.5
Bearing-S. 46° E.
Inclination-67°
Length-199'-0"

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0 to 76'-0"-Gray and white quartzite, in places stained by red iron oxide. Locally a little disseminated pyrite and chlorite.

At 62'-0"-34" core partly silicified and cut by a few small irregular quartz stringers. Also a little disseminated pyrite and chlorite.

At 76'-0"-1/4" quartz stringer parallel to direction of hole.

76'-0" to 103'-0"-Gray quartzite here and there stained brown by iron oxide.

At 76'-0"-A 12" band argillaceous quartzite interbedded with quartzite.

At 83'-2"-1/4" quartz stringer, crosses hole at 45 degrees.

At 84'-5"-1/4" quartz stringer, crosses hole at 30 degrees.

At 88'-7"-1/4" quartz stringer nearly parallel to direction of hole.

103'-0" to 120'-6"-Fine to medium-grained gray quartzite, somewhat argillaceous 118'-0" to 120'-6".

120'-6" to 133'-0"-Black and gray laminated argillite, some beds bordering on siliceous argillite.

133'-0" to 169'-0"-Black laminated argillite including a 24" band of siliceous argillite at 133'-0".

At 141'-0"-Two small irregular quartz-pyrite stringers.

At 148'-0"-Two 0 to 1/2" pyrite stringers.

At 149'-4"-1/2" to 1" stringer sphalerite and pyrite. A tiny sphalerite seam and 2" disseminated pyrrhotite alongside.

At 150'-0"-1/8" pyrite stringer.

At 150'-6"-15" small blebs, irregular seams pyrite-sphalerite-galena-chalcopyrite. Core partly silicified.

At 151'-2"-7" irregular bands and small blebs of pyrrhotite, pyrite, chalcopyrite. Core partly silicified.

At 154'-10"-One 4" band consisting of irregular stringers (1/16" to 1/2" wide) of pyrite, pyrrhotite and very minor sphalerite.

Diamond Drill Hole No. 3

At 156'-6"-Three 0 to 1/4" irregular quartz-carbonate stringers.

At 160'-0"-1/4" irregular quartz stringer.

At 161'-0" to 168'-3"-Argillite partly silicified and cut by small quartz stringers ranging from 1/16" to 1½" wide. Scattered irregular stringers and grains of pyrite and pyrrhotite. At 165'-0"-7" core partly replaced (40%) by pyrite, quartz, and sphalerite.
(Mineralized core recovered 15 feet. True width of vein about 9 feet.)

169'-0" to 199'-0"-Black laminated argillite. Beds cross hole at 30 to 40 degrees to 180'-0". From 180'-0" to 190'-0" beds cross hole at 50 to 60 degrees.

At 190'-7"-1" pyrrhotite-pyrite-siderite stringer with 1/2" to 1" quartz-carbonate alongside.

East Hypotheek Mine

Diamond Drill Hole No. 4

Core Log (by V. Hammerand)

RECEIVED
SEP 22 1935

Level-North adit
Collar Coordinates-N 10,265.5, E 8061.5
Bearing-S 42° 30' W.
Inclination-0°
Length-255'-0"

0 to 11'-0"-Poor recovery (32%), 42" basic dike recovered, partly to well bleached.

11'-0" to 18'-6"-Gray to greenish-gray banded argillite. Beds parallel to 30 degrees to hole.

18'-6" to 19'-6"-Thin-bedded tan to dark-gray quartzite grading into argillaceous quartzite.

19'-6" to 27'-6"-Gray to greenish-gray banded argillite. Beds nearly parallel to hole. At 26'-0"-1½ 40% quartz.

27'-6" to 31'-0"-Argillite grades into beds of mixed rocks consisting of argillaceous quartzite, siliceous argillite and quartzite.

At 28'-6"-3/4" core fragment consisting of 70% quartz.

31'-0" to 41'-6"-Gray and greenish-gray banded argillite. Beds nearly parallel to hole except at 34'-0" where they cross hole at 30 degrees.

At 37'-6"-11" core is very siliceous argillite bordering on quartzite.

41'-6" to 43'-6"-Gray quartzite.

43'-6" to 56'-0"-Gray to greenish-gray banded argillite. Some beds are siliceous argillite. Beds cross hole at variable angles-parallel to 30 degrees. Rock well stained by iron oxide at 52'-6" to 54'-0".

56'-0" to 72'-0"-Gray to black banded argillite. Beds 5 to 20 degrees, locally nearby parallel.

At 64'-6"-18" core stained by iron oxide.

72'-0" to 87'-0"-Varied gray and black argillite. Beds average about 40 degrees but 60 degrees at two places.

At 73'-6"-12" very sandy argillite.

87'-0" to 94'-0"-Black banded argillite. Beds parallel to 30 degrees. Folded.

94'-0" to 102'-5"-Black banded argillite. Beds cross hole at 30 to 50 degrees.

102'-5" to 122'[illegible]-Gray banded argillite, b[illegible]s 30 to 50 degrees. Locally contorted. Several sandy argillite beds.

122'-6" to 139'-6"-Gray siliceous argillite. Poorly banded, 60 to 70 degrees.

At 136'-5"-11" core bordering on gray quartzite (mixed rock).

Diamond Drill Hole No. 4

139'-6" to 143'-6"-Tan sandy argillite. Banded at 50 degrees.

143'-6" to 150'-6"-Poorly banded impure quartzite.

150'-6" to 152'-6"-Tan very sandy argillite, faintly banded. Beds appear to be parallel to direction of hole.

152'-6" to 154'-6"-Gray banded siliceous argillite. Beds parallel to direction of hole.

154'-6" to 158'-9"-Light-gray dense and poorly banded (parallel to 30 degrees) impure quartzite.

158'-9" to 159'-9"-Banded argillite. Beds at 30 degrees.

At 157'-6"-12" core well silicified and contains scattered tiny grains pyrrhotite and some pyrite.

159'-9" to 170'-6"-Dense, gray poorly banded argillite. Beds at 40 to 50 degrees to direction of hole.

170'-6" to 175'-6"-Gray banded argillite. Beds at 40 to 50 degrees to direction of hole.

175'-6" to 187'-0"-Gray and black banded argillite. Beds parallel to 60 degrees (folded).

At 187'-2" tan gouge recovered.

187'-0" to 196'-0"-Gray banded argillite. Beds 40 to 50 degrees.

196'-0" to 205'-0"-Gray quartzite interbedded with narrow argillaceous-quartzite bands.

At 191'-9"-1/2" quartz stringer on beds.

At 195'-4"-1" quartz on beds. Contains a few grains pyrite.

At 196'-0"-20" core containing disseminated chlorite.

205'-0" to 217'-0"-Gray to greenish-gray argillite. Beds at 50 to 60 degrees.

At 209'-8"-1/4" quartz stringer on beds.

At 216'-6"-Two 1/8" to 1/4" "vuggy" quartz stringers cross hole at 60 degrees.

217'-0" to 230'-6"-Gray banded to poorly banded (at 60 degrees) quartzite.

At 221'-6"-3" abundant chlorite.

230'-6" to 233'[illegible]"-Tan massive quartzite.

233'-0" to 255'-0"-Massive tan and gray quartzite. At 237'-8"-1/4" "vuggy" quartz stringer at 60 degrees. At 251'-3"-1" "vuggy" quartz stringer.

East Hypotheek Mine

Diamond Drill Hole No. 5

Core Log (by V. Hammerstad)

Level-North adit
Collar Coordinates-N 10,443.0, E 8004.0
Bearing-S 27°W.
Inclination-0°
Length-200'-0"

RECEIVED
SEP 22 1955

0 to 21'-6"-Dark gray quartzite, locally impure. Beds cross hole 30 to 35 degrees.

21'-6" to 108'-0"-Tan massive quartzite. One 7" greenish argillaceous quartzite bed at 31'-0".

At 24'-6"-1/4" to 1/2" vein quartz. Crosses hole at 30 degrees.

At 29'-10"-1" vein quartz.

At 37'-0"-Three 1/2" to 1" core fragments of vein quartz recovered.

At 50'-0"-Soft, poorly cemented quartzite well stained by iron oxide.

At 57'-10"-2" vein quartz.

At 65'-0"-Small core fragment of vein quartz recovered.

At 76'-6"-1/4" to 1/2" vein quartz. Crosses hole at 45 degrees.

At 87'-0"-1" vein quartz.

At 89'-0"-Basic dike 11" wide, well altered.

At 102'-0"-10" core silicified. A few small core fragments of vein quartz.

108'-0" to 115'-0"-Dark gray siliceous argillite. Beds cross hole at 30 to 40 degrees. At 111'-0"-24" coarse-grained tan quartzite band interbedded with argillite.

At 110'-0"-Two small core fragments of vein quartz.

115'-0" to 127'-6"-Laminated dark gray somewhat sandy argillite. Beds cross hole 40 to 60 degrees. At 121'-6" one 6" quartzite bed.

At 126'-0" One 1/2" vein quartz core fragment.

127'-6" to 139'-6"-Poorly laminated argillaceous quartzite interbedded with bands of fairly pure gray and white quartzite. Beds cross hole at 60 degrees.

At 131'-0"-2" vein quartz.

139'-6" to 152'-0"-Black laminated argillite. Beds cross hole at 50 to 60 degrees.

152'-0" to 175'-6"-Black laminated argillite. Beds appear folded. Cross hole at 2 to 70 degrees.

Diamond Drill Hole No. 5

175'-6" to 191'-0"-Black laminated argillite. Beds cross hole 30 to 50 degrees.

At 177'-4"-One 4" sandy quartzite bed.

191'-0" to 200'-0"-Poorly laminated gray and black argillite. Beds cross hole at 50 degrees.

East Hypotheek Mine

Diamond Drill Hole No. 6

Core Log (by V. Hammerand)

Level-North adit
Collar Coordinated-N 10,052.5, E 8180.5
Bearing-S 56° 30' W.
Inclination-0°
Length-105'-0"

0 to 8'-0"-Tan coarse-grained quartzite.

8'-0" to 15'-0"-Laminated gray and black argillite. Beds cross hole at 35 degrees. Beds locally contorted.

15'-0" to 24'-6"-Poorly laminated greenish sandy argillite. Beds cross hole at 35 to 40 degrees.

24'-6" to 49'10"-Poorly laminated mixed rock ranging from siliceous argillite to argillaceous quartzite.

49'-10" to 50'-6"-Coarse sandy quartzite bed.

50'-6" to 52'-0"-Poorly laminated argillaceous quartzite.

52'-0" to 59'-0"-Black and gray laminated argillite. Beds 50-60 degrees.

59'-0" to 105'-0"-Gray and black laminated argillite. Beds cross hole 50 to 60 degrees. At 98'-6" one 24" band poorly laminated siliceous argillite.

East Hypotheek Mine

Diamond Drill Hole No. 7

Core Log

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SEP 22 1955

Level - North adit
Collar Coordinates - N. 10,484.0, E. 8,023.0
Bearing - N. 22 E.
Inclination - (-)30°
Length - 445'0"

0 to 63'0"	Black and gray laminated argillite, much is quite siliceous. Fine-grained, widely disseminated pyrite is common.
	At 10'0" (0-20") minor fracturing of rock, some thin quartz stringers, much FeO_x in fractures.
	At 16'0" (0-7") altered dioritic dike.
	At 22'4" (0-4") isolated pods of pyrite and pyrrhotite.
	At 37'0" a 1" quartz stringer.
	At 44'2" a 1/2" quartz stringer at 45° to hole.
	At 45'5" a do.
	At 46'4" (0-6") scattered small pods of pyrite.
	At 57'0" (0-3") cluster of 1/4" quartz stringers.
	At 58'0" small stringer of pyrite grains in bedding.
63'0" to 80'0"	At 64'6" a 1"-2" stringer barren quartz.
	At 76'9" a 1/2" pod of pyrite and pyrrhotite.
80'0" to 111'7"	Poorly laminated, medium-gray argillite with many arenaceous laminae.
	At 98'0" (0-6") sheared rock.
	At 102'2" is 1"-2" broken tan siliceous quartzite.
	At 106'0" is 1/2" quartz stringer normal to hole.

111'7" to 112'4"	Fine-grained dioritic dike.
112'4" to 143'0"	Well-laminated, light- and dark-gray argillite and siliceous argillite. Minor disseminated pyrite. At 124'0" is 1/2" stringer quartz and pyrite normal to the hole. At 137'6" is 1/4" quartz and pyrite stringer. At 138'6" is 1/2" quartz and pyrite stringer at 45° to hole.
143'0" to 169'6"	Laminated, light-gray argillitic quartzite with many bands of medium-gray siliceous argillite. At 166'6" is 3" zone of small quartz stringers.
169'6" to 185'0"	Light-gray, medium-grained, sub-vitreous to vitreous quartzite. Bedding 30° - 45° to hole. At 176'2" is 1/2" quartz stringer nearly parallel to hole. At 179'10" is 1" quartz stringer at 45° to hole. At 184'8" is 1" quartz stringer normal to hole.
185'0" to 202'0"	Light- and dark-gray laminated siliceous argillite. Bedding 30°-40° to hole.
202'0" to 228'0"	Rocks become more siliceous with many sub-vitreous quartzite layers in a siliceous argillite. Some laminations. Bedding becomes nearly parallel to hole.
228'0" to 239'0"	Medium-gray siliceous argillite, laminated by many argillaceous quartzite layers. Bedding 10°-30° to hole.
239'0 to 239'8"	Light-tan sub-vitreous quartzite.
239'8" to 241'6"	Laminated, light- and dark-gray siliceous argillite.

241'6" to 265'0"	Light-gray vitreous to sub-vitreous quartzite. Bedding 50°-70° to hole. At 247'0" a 2" barren quartz stringer normal to hole. At 249'0" a 10" bed of dark-gray siliceous argillite. At 264'6" a 2" seam of intensely bleached quartzite.
265'0" to 269'6"	Irregularly interbedded, light-gray sub-vitreous quartzite and medium-gray siliceous argillite. Bedding 20°-40° to hole.
269'6" to 289'0"	Light-gray sub-vitreous to vitreous quartzite. At 273'0" a 1" barren quartz stringer normal to hole. At 275'6" a 1½" barren quartz stringer normal to hole.
289'0" to 291'0"	Interbedded siliceous argillite and vitreous quartzite. Bedding 10°-20° to hole.
291'0" to 445'0"	Light-gray to tan, sub-vitreous to vitreous, quartzite, sericitic in part. Occasional thin (1"-3") bed of medium-gray siliceous argillite. Scattered 1/2"-2" quartz stringers at high angle to hole. Occasional small pyrite pod. Bedding 20°-40° to hole. At 334'0" the bedding turns nearly parallel to the hole. At 340' bedding turns back to high angle to hole. No noteworthy changes in lithology in this interval.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

RECEIVED
SEP - 3 1955

September 1, 1955

Mrs. Myrtle Purdy, Certifying Officer
DMEA Field Team, Region I
1201 North Division Street
Spokane 2, Washington

Re: Docket No. DMEA-2420 (lead-zinc)
Hypotheek Mining and Milling Company
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mrs. Purdy:

Work under the subject contract has been completed to the satisfaction of the Government. The Field Team feels that the Government has all pertinent maps and information on the project, and that a final report by the Operator would serve no useful purpose. Therefore, the requirement that the Operator submit a final engineering report has been waived by the Field Team.

The Operator offered to purchase the Government's interest in jointly-owned equipment and remaining supplies for $2,900.00, and this offer was accepted by the Executive Officer in a letter to the Operator dated June 28, 1954. Form A, "Disposal of Government's Interest in Property," dated September 1, 1955, has been issued.

A Certification of Discovery or Development covering this project was issued under date of October 29, 1954.

A Final Audit Certificate and Report dated July 25, 1955, by Auditor George Mavor has been received.

As all contract requirements have been met, it is requested that final settlement of our account with the Operator be made.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW Dist.

cc: DMEA (2)
USBM (2)
Campbell

Talbert

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

AUG 12 1955

Mr. George Mavor
DMEA Auditor
420 Custom House
555 Battery Street
San Francisco 2, California

Re: Idm-F380, DMEA-2420
Hypothesk Mining and
Milling Company

Dear Mr. Mavor:

Receipt is acknowledged of your letter of August 8, 1955, relative to the installation and foundation costs of the compressor under the subject Exploration Project Contract.

In view of your explanation we have changed the third word of the penultimate paragraph on page 7 of your audit report to "foundation" in lieu of "installation".

After this change has been effected on all other copies you are authorized to make the normal distribution.

Sincerely yours,

(Signed) E. D. Talbert

E. D. Talbert, Acting Chief
Contract Administration
and Audit Division

EDTalbert/wb
August 12, 1955

Copy to: Docket
Admr. Reading File
Mr. Chambers

Talbert

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

AUG - 3 1955

Mr. George Maver
DMEA Auditor
420 Custom House
555 Battery Street
San Francisco 2, California

Re: Idm-E380, DMEA-2420
Hypothesis Mining and
Milling Company

Dear Mr. Maver:

Approval of your recently submitted Audit Report covering the referenced Exploration Project Contract is being held in abeyance pending explanation or clarification of one point.

At the bottom of page 5 and at the top of page 6, you indicate that certain compressor installation costs aggregating $792.42 have been "transferred to the cost of labor, material, payroll taxes and compensation insurance." One page 7, under category (8) Contingencies, you indicate costs aggregating $1,537.30 for "building a foundation to install the compressor". Are these two items separate costs of installation and, if so, why have they not been combined? If not, what is the reason for handling them by different methods?

Sincerely yours,

(Signed) E. D. Talbert

E. D. Talbert, Acting Chief
Contract Administration and
Audit Division

EDTalber/wb
August 3, 1955

Copy to: Docket
Admr. Reading File
Mr. Chambers

R.S.B.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

Department of the Interior
Defense Minerals Administration
RECEIVED
DEC 17 1954

December 10, 1954

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420 (lead-zinc)
Hypotheek Mining and Milling Company
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Selfridge:

In an interim report dated November 19, 1954, to the Field Team concerning the subject property, E. G. Erickson, Bureau of Mines, stated that "it is not clear what is considered production from a mine as would apply to a DMEA contract." We wish to submit more detailed information regarding the current situation at the East Hypotheek property and to request that the phrase "mined or produced from the land," as used in Article 9 of the contract, be more precisely defined.

The drift at the East Hypotheek mine was being driven on ore at the time application was made for DMEA assistance and this development ore was being stockpiled on the dump. Prior to the signing of the contract, the vein was found to terminate against a fault, and at the time the contract was signed the drift was following an unmineralized shear.

The initial step of the DMEA work was to rehabilitate, straighten, and enlarge the first 320 feet of the drift. In so doing, a small tonnage of low-grade development ore was mined. The operator, following instructions of the Field Team, kept this muck separate in the dump area.

In February 1954 lessors shipped 184 tons of muck from the stockpile made prior to the signing of the contract. Net smelter returns from this shipment totaled $516.34. Milling and hauling charges were considerably more than the smelter returns so that a loss was realized on the venture. None of the DMEA development ore was included in the shipment. As a matter of fact, the DMEA stockpile will run lower grade than the "ore" that was shipped so there is little possibility that it will be milled in the forseeable future.

The question arises whether such stockpiled ore mined prior to the contract date but sold during the repay period is subject to royalty payment to the Government. We would appreciate a ruling on this particular case and on a general clarification of the intent of the phrase "mined or produced from the land" as it applies to a DMEA contract. Specifically, is ore "produced" when it is severed from the place where it was found and brought to the surface or is it "produced" when it is sold and removed from the property?

By Field Team, Region II

A. E. Weissenborn

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing G. Agnew

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: USBM (2)
USBM (AD)
Campbell

File Copy
Surname

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

NOV 17 1954

Mr. Roy H. Kingsbury, Secretary
Hypothesk Mining & Milling Co.
Wallace, Idaho

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypothesk Mining & Milling Co.
East Hypothesk Mine
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Kingsbury:

We have your letter of November 5 regarding the certification made under the cited contract. Referring to your request that we more specifically outline the discovery, Article 9 of the contract states:

". . . . in the event of such certification, any minerals mined or produced from the land described in Article 2 . . . . . ."

This means that minerals production from the lands described in Annex I of the contract is subject to royalty payments to the Government, if produced after the date of the contract.

The two diamond drill holes which intersected ore, and which were drilled under the DMEA contract, are considered as constituting a discovery. In your report of July 24, 1953, it was stated, ". . . the two down holes completed prove continuance of the ore at depth".

As to your inquiry regarding the 30 or 40 tons removed from the orebody, you should send the smelter settlement sheet covering the concentrates sold, to Mr. Weissenborn and he will advise you on the matter of royalty.

Sincerely yours,

C. O. Mittendorf

Administrator

WRGriswold/er 11/16/54

Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.
Region II (2)

R.C.S.

File Copy
Surname

Griswold

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

Mr. Roy H. Kingsbury, Secretary
Hypotheek Mining & Milling Co.
Wallace, Idaho

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Kingsbury:

We have your letter of November 5 regarding the certification made under the cited contract. Referring to your request that we more specifically outline the discovery, Article 9 of the contract states:

". . . . in the event of such certification, any minerals mined or produced from the land described in Article 2 . . . . . ."

As to your inquiry regarding the 30 or 40 tons of ore which you removed from the orebody, and which was milled and the concentrates sent to a smelter; since the smelter returns did not pay the costs of hauling and milling, no royalty would be due.

Sincerely yours,

Administrator

WRGriswold/er 11/12/54

Copy to: Docket
Admr R. File
Op. Committee
Base Metals
Region II (2)
Mr. Bishop, USBM
Mr. Killsgaard, USGS
Chron.

Hypotheek Mining & Milling Company

OFFICE: WALLACE, IDAHO MINES: KINGSTON, IDAHO

Wallace, Idaho November 5, 1954

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 8 - 1954

C. O. Wittendorf
U.S. Dept. of the Interior
Defense Minerals Exploration Adm.
Washington 25, D. C.

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Wittendorf:

Nov. 1

We have your letter of October 29th accompanied by certification of discovery notice and we surely hope you are right.

However we wish to call to your attention that we had disclosed the orebody in the north surface tunnel before we started working under your contract. When we failed to discover more ore in the north surface tunnel, we ran a short south crosscut therefrom to gain an advantageous position and then drilled two down holes which apparently cut the downward extension of the ore we had disclosed in the tunnel. Perhaps you regard this confirmation as a discovery and if so we do not dispute you. For the record however, will you kindly more specifically outline the discovery to which you certify.

Will you kindly outline your position in regard to the 30 or 40 tons of ore which we removed from the orebody disclosed by us in the north surface tunnel. We commingled this ore with ore on the dump taken out in development, had it milled by Sunset Minerals and shipped it to the Bunker Hill Smelter. The returns did not pay for the hauling and milling cost.

Please be advised that we are at present engaged in unwatering the shaft with the idea of examining the west drift on the 300 level. We are told by former operators that this west drift had disclosed an ore body which we assumed might be the same ore shoot disclosed in the north surface tunnel and confirmed by the diamond drill holes. We might also record the fact the AX diamond drill hole extended from the south face of the crosscut from the north surface tunnel, ~~which~~ is now in over 200' and has been almost continously in quartzite. We expect to continue this hole at least 100' further.

Sincerely,
HYPOTHEEK MINING & MILLING CO.

Roy H. Kingsbury

Roy H. Kingsbury

RHK/ca

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

Project not yet completed

PROJECT SUMMARY REPORT

By: W. P. Klugescheid

October 21, 1954

1. Docket No. DMEA-2420 (Lead-Zinc)
Contract No. Idm-E380
Property: East Hypotheek Mine
Location: Yreka Mining District
Shoshone County, Idaho

Operator: Hypotheek Mining and Milling Co.
510 Bank Street
Wallace, Idaho

Operator's Property Rights: Purchase Agreement, dated June 30, 1950
Owner's Consent to Lien dated January 18, 1952.

2. Contract dated August 4, 1952. To complete - 12 months

Work Authorized

Rehabilitate, enlarge and straighten 320 feet of adit @ $8.00 per foot	$ 2,560.00
Drift on Main vein and others, a maximum of 1300 feet @ $30.00 per foot	39,000.00
Excavate 3 diamond drill stations @ $35.00 each	1,050.00
Drill 1000 feet of AX diamond drill hole @ $4.60 per foot	4,600.00
Drill 500 feet of AX diamond drill hole @ $5.00 per foot	2,500.00
Operating equipment to be rented	2,500.00
Operating equipment to be purchased	12,200.00
Miscellaneous	1,000.00
Contingencies	5,000.00
Total cost of the project	$70,410.00
Government participation @ 50%	$35,205.00

Amendments

No. 1 dated September 11, 1952

In Exhibit "A" under "Estimated Cost of the Project," Item (4), "To be Rented", delete:

1 Eimco 12 B loader @ $250.00 per month for ten months	$ 2,500.00

Add to Item (4), "To be Purchased,"

1 Eimco 12 B loader (used)	$ 2,500.00

No increase in total cost of the project.

No. 2 dated March 18, 1953

In Exhibit "A" under "Estimated Cost of the Project". Item (4) "To be purchased", delete:

One new 3 ton diesel locomotive.	$ 6,000.00
Two used IR DA-35 Drifters @ $500. each.	$ 1,000.00

Add:

1 Thor sinker drill, attachments, est.	$ 600.00

Add to Item (4), "To be furnished by Operator", Depreciation allowance for 1 Mancha trammer and 2 drifters.

No. 3 dated September 28, 1953

1. In Article 3 of the contract form delete period "12 months" and substitute the period "24 months".

2. Permits recess from August 4, 1953, to not later than April 1, 1954.

No increase in total cost of the project.

No. 4 dated April 15, 1954

1. (a) Permits recess from April 1, 1954 to not later than July 1, 1954.

   (b-d) Conditions governing recess.

2. The essence of contract is that work be resumed on or before July 1, 1954.

   (a-c) Conditions governing non-compliance with (2).

   No increase in the total cost of the project.

No. 5 dated August 27, 1954

1. Effective August 4, 1954 contract period is extended to 26 months.

2. Effective August 4, 1952, Annex II attached hereto and made a part hereof; is substituted for Article 9 of the contract.

   No increase in the total cost of the project.

Work Completed

Most recent data on work done is: (phone 8-83)

731.9 feet of drifting and crosscutting	$17,795.21
957 feet of diamond drilling	4,853.58
324.5 feet of adit rehabilitation	2,914.31
1 diamond drill station cut	292.80
Contingencies	2,520.31
Equipment purchased	8,025.74
Preparation compressor site	1,536.76
Approximate Total	$37,938.71

This data would be as of end of August 1953.

3. Audit Certificate - None forthcoming to date.

4. Certification of Discovery: None issued to date. October 29-1958

Ore estimates - none possible.

In support of Certification of Discovery the following data may be helpful:

Memorandum from A. B. Campbell, geologist, USGS, and member of the Field Team dated January 25, 1954.

"In diamond drill holes #2 and #3, drilled from face of south crosscut, two samples were obtained with the following results.

Hole No.	Width of Sample	Position in Hole	Zn	PB	Cu	Ag
2	40"	141'9" - 145'1"	11.0%	2.5%	--	0.5 oz
3	35"	150'7" - 153'6"	5.7%	0.5%	--	0.1 oz

These samples apparently consisted of a series of high grade stringers of Lead-Zinc ore. These were down holes.

In Operator's narrative report of July 24, 1953 he states that the two down holes completed prove continuance of the ore at depth.

From the Operator's narrative report of November 16, 1953, V. F. Hammerand, consulting geologist for the Operator is quoted as saying:

"Zinc-lead ores of good grade were being followed in the drift before encountering the fault at a point some 400 feet from the portal of the adit. Beyond the junction of the fault and vein scattered mineralization was exposed in several places by propsecting a distance of 650 feet but no structures which could be identified as the North vein were found.

Subsequently the South crosscut was driven and diamond drill holes #4, #5 and #6 were bored to test evidence that the North vein was displaced by the fault. Nothing of consequence was found in the crosscut and drilling also disclosed nothing in this section.

Old records of previous operations at the East Hypotheek indicates ore of fair to good grade on the presently flooded 300 level of the mine.

For some time this ore has been tentatively correlated with the North vein. To check the correlation, drill holes #2 and #3 were put down from a point near the face of the South crosscut. A vein 9 feet to 10 feet wide was cored in both holes. The overall grade of the ore where penetrated by the drill is too low to be profitable at present metal prices, but the information obtained by drilling is valuable and encouraging."

5. Comments:

The work was well carried out by the Operator but there seems to have been a certain amount of lack of funds to carry on the work as efficiently as possible.

The Operator has been extremely lax in making his monthly reports and has on several occasions reported three or four months progress at one time. The cost reports are very poorly done. A complete lack of maps showing the progress of the work has hindered study of the project.

The area included in this program represents one of the largest blocks of unexplored favorable ground in the Yreka (Pine Creek) mining district.

The mineral deposits of the Pine Creek district are confined entirely to the Prichard formation of the Belt series and show a particular affinity to a lithologic zone known as the "Middle Pritchard" quartzites. This zone is present in the East Hypotheek workings. The mine is located on the north flank of the Pine Creek anticline. All of the producing mines of the area are similarly located on this major fold. No production of lead or zinc has been derived from the south limb of this anticline. The workings of the East Hypotheek lie on the projected strike of the major zone of mineralization of this district.

W. P. Klugescheid

W. P. Klugescheid

WPK/er 10/25/54

Copy to: Docket
Base Metals
Chrom.

Hypotheek Mining & Milling Company

OFFICE: WALLACE, IDAHO MINES: KINGSTON, IDAHO

Wallace, Idaho October 2, 1954

Defense Minerals Administration
RECEIVED
OCT 11 1954

A. E. Weissenborn
So. 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-2420 (lead-zinc)
East Hypotheek Mine
Shoshone County, Idaho
Contract Idm-E380

Dear Mr. Weissenborn:

I have your letter of September 29th, and we understand the reason why DMEA does not wish to participate is the cost of drilling to the south.

We are still drilling on the 30° down hole to the north from the face of the north surface tunnel and are in over 400'. Our objective is 450' which we hope to conclude under our contract.

Thanking you.

Sincerely,

Roy H. Kingsbury

Roy H. Kingsbury

RHK/ca

RECEIVED
OCT 5 1954

Defense Minerals Administration
REC'D
OCT - 4 1954

XXXXXXXXXXXXXXX
So. 157 Howard Street
Spokane 4, Washington

September 29, 1954

Mr. Roy E. Kingsbury, Secretary
Hypotheek Mining and Milling Company
510 Bank Street
Wallace, Idaho

Re: Docket No. DMEA-2420 (lead-zinc)
East Hypotheek Mine
Shoshone County, Idaho
Contract Idm-E380

Dear Mr. Kingsbury:

Reference is made to your letter of September 20, 1954.

Mr. Arthur B. Campbell has informed us that he talked with you on September 22, 1954, and explained to you why the Defense Minerals Exploration Administration cannot participate in the cost of drilling to the south. Therefore, this letter will merely confirm what he told you; namely, that we feel that there is no significant target to the south which is worth the cost of the drilling and, moreover, one drill hole intersection would be an inconclusive test of the structure.

By Field Team, Region II

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: DMEA (2) w/2 cys incoming
USBM (2)
Campbell

C
O
P
Y

HYPOTHEEK MINING & MILLING COMPANY

Wallace, Idaho

DEPARTMENT OF THE INTERIOR
Bureau of Mines Administration

September 20, 1954

OCT 4 1954

A. E. Weissenborn
Executive Officer, DMEA
So. 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-2420 (Lead-Zinc)
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-E380

DMEA

Dear Mr. Weissenborn:

We have your letter of September 10th, and I am wondering whether these formal papers are the final word on this project.

On August 7th, I attempted to contact Mr. Erickson to see if we could transfer from the item of drifting in the contract sufficient funds to cover a 700' diamond drill hole southerly from the face of the south crosscut from the north drift. This is the same south crosscut from which the two down holes were driven nearly vertical to a 150' depth. Mr. Erickson was on vacation and a couple weeks later I contacted him and he said he would review the situation to see if it will be possible to conform to our wishes. Since then I have not heard from Mr. Erickson and I assume that he might run into opposition based on the last paragraph of your letter, advising that the Government will not participate in any south drilling.

We anticipate that Hypotheek will drill this horizontal hole to the south whether or not the Government participates. We should like to have the Government participate, and one of the reasons is that should the drill hole encounter ore, there would be no problem of whether or not Hypotheek should pay the Government a royalty on production.

We appreciate that there must be a reason why the Government wishes to eliminate their participation on any south drilling, and perhaps it would be to our advantage to learn why the Government will not participate in south drilling.

From the evidence, we believe two vein structures lie to the south. The former operators, King of Pine Creek extended a south drift westerly which branched off from the first course about 175' from the portal continuing in a more northerly direction for more than 200'. When we acquired this ground, we diamond drilled southerly from a point about 300' from the portal to determine whether the vein persisted on its first course, with the possibility that the drift, when it changed course, followed a branch. At about 75' this diamond drill hole picked up the vein structure which was 10 to 14' wide. The proposed south hole which we projected would cut the structure at about 1000' from the portal if it persisted. The second vein structure is indicated by surface croppings and other indications

apparently following a more northerly course and should be cut at around 660' in the same proposed southerly diamond drill hole.

We are grateful to you and we are signing and returning the copies of the Amendment No. 5. We have not yet completed the 30° down hole to the north which we started in June, because we found the drilling machine was unable to complete the hole stopping at 340' with the drill bit in the quartzite. We planned this hole to go through the quartzite to the contact with the slate. As we at that time planned to drill the south hole with a larger machine, the contractor planned to finish the north hole when he brought in the larger machine for the south drilling. At that time he was using the larger machine elsewhere, I believe at Highland Surprise. The contractor is now moving in the larger machine to finish the north hole which we estimate will be something over 400'.

Sincerely,

/s/ Roy H. Kingsbury

Roy H. Kingsbury

RHK/ca

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

September 2, 1954

Memorandum

To: The Administrator, DMEA

From: Acting Assistant Solicitor, Defense Minerals

Subject: Hypotheek Mining & Milling Co., Docket No. DMEA-2420 (Zinc-Lead), Contract No. Idm-E380

I am unable to give legal approval to the subject certification in its present form.

The certification recites: "Drifting on the North vein in the North Adit level, and diamond drill holes drilled downward from the North Adit level, have shown the existence of zinc-lead ores."

I do not think that this complies with the requirements of the contract form that the certification "shall describe broadly or indicate the nature of the discovery or development." This certification in effect merely states that the performance of the work described in the contract has shown the existence of zinc-lead ores.

We have discussed many times the requirements of a certification. It is possible that such a certification would be sustained in a court of law as complying with the requirements of the contract form, but I see no reason for taking the risk of an adverse decision when it would be such a simple matter to add a little language broadly describing or indicating the location and nature of the discovery or development.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

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

[illegible] Street
[illegible], [illegible]

[illegible] 3, 1954

Mr. [illegible] Kingsbury
Hypothesis Mining & Milling Company
[illegible], Idaho

Re: Docket No. [illegible] 2423 (Lead Zinc)
Hypothesis Mining & Milling Co.
Shoshone County, Idaho
Contract No. [illegible]

Dear Mr. Kingsbury:

This will acknowledge receipt of your letter of July 21, 1954.

In vouchers previously submitted, the Hypothesis Mining & Milling Company claimed to have diamond drilled 957 feet under the above-cited contract. This leaves only 543 feet to be drilled under the contract, which called for a total of 1,500 feet of diamond drilling. The 1,000 feet of drilling planned, as stated in your letter, is therefore in excess of the amount allowed under the contract, and the Government cannot share in the cost of any drilling in excess of the original 1,500 feet.

We are asking our Washington office to extend the completion date of your contract to October 4, 1954, assuming that this gives you sufficient time after June 14, 1954, the date you resumed drilling, to complete 543 feet of drilling.

[illegible] Fields [illegible], Project II

[illegible] Eisenbrey, Executive Officer
U. S. Geological Survey

[illegible] Ing, G. [illegible], Director
U. S. Bureau of Mines

cc: [illegible](2)
[illegible](2)
Campbell

Z

WA SP 131 I-GS-G

SPOKANE WASH 312-54 415P

MR. GEORGE C. SELFRIDGE

CHAIRMAN OPERATING COMMITTEE, DMEA DEPARTMENT OF INTERIOR

Department of the Interior
Defense Minerals Administration
RECEIVED
AUG 3 - 1954

RECEIVED
AUG 3 7 00 AM '54
GENERAL SERVICES ADMIN
PUBLIC BLDGS. SERVICE
WHD - COMMUNICATIONS
WA

HYPOTHESK MINING AND MILLING CO., DOCKET DMEA-2420, CONTRACT IDM-4320, 24-MONTH COMPLETION DATE IS AUGUST 4, 1954. COMPANY NOW DIAMOND DRILLING AND WOULD LIKE AN EXTENSION OF TIME. HAS ONLY 543 FEET DIAMOND DRILLING LEFT ON CONTRACT AS OF AUGUST 4, 1953. FIELD TEAM SUGGESTS APPROPRIATE EXTENDING COMPLETION DATE TO OCTOBER 4, 1954 /2 MONTHS ADDITIONAL/.

A. H. DEISSLBROT, EXECUTIVE OFFICER DMEA FIELD TEAM REGION 2

VA 420P

AUG 3 9 46 AM '54
BUREAU OF MINES
MAIL ROOM
WASHINGTON D.C.

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

[illegible]

[illegible], 1954

Mr. [illegible] Kalbouty
Hyperion Mining & Milling Company
Wallace, Idaho

2420

Re: Contract No. [illegible] (Inventory)
Hyperion Mining & Milling Company
Shoshone County, Idaho
Contract No. [illegible]

Dear Mr. Kalbouty:

This will acknowledge receipt of your letter of June [illegible], [illegible] in which you offer to purchase the Government's equity in the jointly-owned equipment bought for the above contract. As we understand your letter, you are offering $[illegible] for the Government's interest in jointly-owned equipment and in addition [illegible] of this account, $[illegible] is to be taken from funds currently being withheld from payment to you with the remainder, or $[illegible], being tendered by you.

Your offer is hereby accepted. We shall accordingly [illegible] $[illegible] from payment to you and upon receipt of your check for the remaining amount, will issue a receipt assigning to you all of the Government's interest in jointly-owned equipment. If, instead of a check, you wish to pay the remaining $[illegible] by having us retain this amount from forthcoming invoice reports of the contract drilling now in progress at your mine, please advise and we will make that adjustment.

We wish to thank you for your offer and to express our sincere hope for success in your current drilling program.

Sincerely yours,

[illegible]
Acting Director, DMEA
[illegible], Idaho

cc: USBM (2)
IMD (2)
Cont. Officer
Campbell

Hypotheek Mining & Milling Company

OFFICE: WALLACE, IDAHO · MINES: KINGSTON, IDAHO

RETURN TO	ACTION	NOTED	DATE
ANSWERED			

Wallace, Idaho June 12, 1954.

Mr. A. E. Weissenborn,
Executive Officer, DMEA,
Bureau of Mines,
So. 157 Howard St.,
Spokane 4, Wash.

2420

Docket DMEA ~~2424~~
Contract Idaho E380.

Dear Sir:-

Referring to amendment No. 4 of April 15, 1954, under which work on contract was suspended, to not later than July 1, 1954, we expect to resume June 14, 1954, by starting a northerly drill hole under the supervision of Mr. Veril Hammerand, of the Bunker Hill staff. We have had Mr. M. W. Gjerning, of Osburn, a competent mechanic, start up the compressor, etc., and Mr. C. L. Shepherd, of Silverton, will do the diamond drilling under contract with us at $3.25 per foot, a 30° down hole. Both Mr. Art Campbell and Mr. Erickson are familiar with our plans.

We have under consideration the matter of buying at this time the government's half interest in the equipment bought by us during the life of the contract, and submit to you the following list of purchases, with a price set by an appraiser, which we offer you for your half interest. If you accept, we would desire to apply in payment the sum of $2426.79 due from you, which you held up when we suspended work, and will remit the difference.

Purchases.		Appraisel.	Half price.
Compressor and installation,	3422.74	2200.00	1100.00
Eimco B-12 mucker	2500.00	1900.00	950.00
Drill and bar	553.00	300.00	150.00
4 cars	1550.00	1000.00	500.00
	8025.74	5400.00	
Salvage value track, pipe, etc.			200.00
We offer,			2900.00

Our title to this equipment is complete, and everything is paid for in full. We have recently gotten squared up with Vivian Bros., but they are now drilling in Utah. We originally expected to pay them from the $2426.79 due from the government. We do not contemplate the purchase of other equipment under the contract.

Yours truly,

Hypotheek Mining & Milling Company,

Roy H. Kingsbury Secy.

RECEIVED
JUN 14 1954
U. S. G. S.
SPOKANE, WASH.

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

So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR - 6 1954

March 31, 1954

Mr. George C. Selfridge, Chairman
DMEA Operating Committee
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA ~~2424~~ 2420
Hypotheek Mining & Milling Co.
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Selfridge:

The recess granted to the Hypotheek Mining and Milling Company is up April 1, 1954, and our field men have reminded company officials of this fact. As a result, we have a letter from Mr. Kingsbury requesting an extension of the recess for an additional 90 days. It is our understanding that the company has raised money through assessments, but that possibly some of it may have been expended on a uranium prospect on which they are interested with other companies in the Colorado Plateau. This, of course, is not directly our business, although it does indicate that money would be available if the company wanted to continue the Hypotheek work badly enough.

Since the recess period, which is now coming to an end, did not carry with it an automatic termination provision, we recommend that the additional 90 days be granted and that attached to this be a provision to automatically terminate the contract if work is not resumed at the end of the 90-day period.

By Field Team, Region II

A. E. Weissenborn
A. E. Weissenborn, Exec. Officer
Geological Survey

Wing G. Agnew
Wing G. Agnew
Bureau of Mines

cc: USBM (2)
Hindman
Campbell

Hypotheek Mining & Milling Company

OFFICE: WALLACE, IDAHO MINES: KINGSTON, IDAHO

R.E.C.E.I.V.E.D
BUREAU OF MINES
MAR 30 1954
SPOKANE, WASH.

Wallace, Idaho March 29, 1954

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 6 1954

A. E. Weissenborn, Exec. Officer,
Defense Minerals Exploration Adm.,
1201 N. Division St.,
Spokane 2, Wash.

Docket No. DMEA-2424.
Contract Idm-5380.

Dear Sir:-

Referring to Amendment No. 3 to our contract, dated Sept. 28, 1953, under which contract was extended 12 months, and recessed from Aug. 4, 1953, to April 1, 1954.

We are in difficulty about financing renewal on April 1st, and ask an extension of the recess of 90 days. We anticipate being able to resume prior to July 1st, and if able to do so, if agreeable to you, we will start as soon as possible.

The work we had planned would be diamond drilling, and we should like to have Vivian Bros. do the work for us, but we have been unable to get them paid up for the last work. One of our troubles was that you withheld payment of our last July-August invoice, and we now understand this may be paid after we resume work.

Thanking you for your many previous courtesies, we are

Sincerely,

Hypotheek Mining & Milling Co.

Roy H. Kingsbury Secy-Treas.

RECEIVED
MAR 31 1954
U. S. G. S.
SPOKANE, WASH.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D. C.~~
So. 157 Howard Street
Spokane 4, Washington

September 25, 1953

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-2420 (lead-zinc)
Hypotheek Mining & Milling Co.
Shoshone County, Idaho
Contract Idm-E380

Dear Mr. Selfridge:

Reference is made to your telegram of September 24, 1953, concerning the Hypotheek Mining & Milling Company, and to the request for assay information on the two diamond drill holes completed by the DMEA work.

We have previously requested the Operator to assay the core from the two ore intersections of the referred drill holes, but he has not submitted this assay data to us. We shall consequently contact the Operator as early as possible next week and gather splits from the core for assay. We shall forward this information to you as soon as it is available.

Our field men who have examined the core state that the ore as shown in the core consists largely of small stringers of sphalerite and pyrite with subordinate amounts of galena. They recognize it as a possible extension of the ore shoot found in the upper adit level, but they did not believe it to be sufficiently mineralized to be considered as ore. For this reason, we had no intentions that the project be certified as a discovery.

We shall keep you informed of further developments on this property as information is acquired.

Sincerely yours,

Thor H. Kiilsgaard

Thor H. Kiilsgaard
For: A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: USBM (2)
Campbell

FILE COPY
SURNAME

Talbut

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

AUG 28 1953

Mr. Robert M. Hall
DMEA Auditor
1201 North Division Street
Spokane 2, Washington

Re: Hypothesis Mining Company
Shoshone County, Idaho
Docket No. 2420X
Contract No. Ida-2380

Dear Bob:

Inasmuch as you called my attention during my recent visit to your office to the fact that you did not always see copies of the various interim reports on DMEA projects, I am writing this letter to call your attention specifically to an interim report addressed to the DMEA Field Team, Region II, by E. G. Erickson, Mining Engineer, under date of August 13, 1953.

This memorandum specifically states that the supervision charged on the referenced project for the period ending June 30, 1953, in the total amount of $4,997.75 is excessive and that the engineer recommends allowance of only $2,950.24. The following quote from the memorandum is particularly pertinent:

"Factors that influenced the reduction of supervision from $4,995.75 to $2,950.24 were intermittent and slow operation which was probably due to lack of finances and the amount of supervision considered necessary under the circumstances.

"The Operator's supervisor worked on jobs other than the DMEA project and no detailed record of actual time spent on various jobs was kept. Therefore, during the period of preparation and rehabilitation an average of $210.00 per month was allowed and approximately $2.50 per foot of advance was allowed for supervision during the time of drifting and crosscutting. A tabulation of total allowed supervision up to July 1, 1953, accompanies the Operator's last invoice for period March, April, May and June.

"It is recommended that when contract is audited the supervision, amounting to $2,950.24, (includes payroll taxes) through June 1953 be allowed as just and reasonable, although it is not supported by hourly distribution of time to different jobs."

R.C.S.
8-28-53

Please keep this memorandum in mind when you make an audit of this project.

Sincerely yours,

(Signed) E. D. Talbert

E. D. Talbert, Assistant Chief
Contract Administration
and Audit Division

EDTalbert/wb
August 28, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG 20 1953

So. 157 Howard Street
Spokane 4, Washington

August 19, 1953

Mr. Roy H. Kingsbury, Sec'y-Treas.
Hypotheek Mining & Milling Company
Wallace, Idaho

Re: Docket DMEA-2420 (Zinc-Lead)
Shoshone County, Idaho
Contract No. Idm-E380

Dear Mr. Kingsbury:

This will acknowledge your letter of August 1 in which you ask for a change in the Hypotheek contract to permit the unwatering of a shaft and the mapping and sampling of the old 300 level, after which the plans would be reappraised, and drilling, drifting or raising as warranted would be undertaken.

As Mr. Campbell pointed out in his letter of August 14, we are somewhat handicapped in our consideration of this proposal because of the lack of adequate maps, and I would like to urge you to provide these maps as soon as possible. However, based on our present knowledge of the property, it is, in my opinion, very unlikely that DMEA would go along with your proposal. The oreshoot you propose to test has been opened on the adit level, the 300 level, and was also cut again in the drill holes which you mention in your letter. The work you propose is undoubtedly good operating procedure but it is almost certain that DMEA would regard this as development rather than exploration and therefore outside the scope of the program. I call this to your attention so that in your planning you do not count too heavily on assistance from DMEA which they may not be able to provide.

Our discussions with Verle Hammerand suggest that there are exploration possibilities in which DMEA could participate which have not yet been tested at the mine and which could be tested under the terms of the contract by a slightly revised drilling program. We would be glad to discuss this with you as soon as you can provide us with the maps which may form a basis for such a discussion.

Sincerely yours,

A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II

cc: DMEA (2); USBM (2); Campbell

FILE COPY
SURNAME:

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

Keating
Lawson
Allett

SEP 30 1952

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 8, Washington

Re: Docket No. DMEA-2420 (Lead-Zinc)
Contract Idm-E380
Hypothesis Mining & Milling Co.
Shoshone County, Idaho

Dear Mr. Weissenborn:

This is in response to your memorandum of September 10, 1952, in which you make inquiry regarding an interpretation of the above cited contract. You no doubt have already received our letter of September 25, 1952 relative to the same subject which was sent you at the suggestion of Mr. Selfridge who had previously conferred with you regarding this and other matters during his visit at your office.

So that there may be no misunderstanding there follows a detailed interpretation of the terms of the contract.

In paragraph (2) under "Details" the $420.00 is an allowable maximum for supervision and consultants. In item (4) Operating Equipment, the rental of $250.00 a month with the total of $2,500.00 for the period of ten months is an allowable maximum under Article 6-(a) (4), which provides that "Any items listed as owned and to be furnished by the Operator, and related allowable depreciation, are allowable maximums." Item (4) Operating Equipment to be purchased in the amount of $12,200.00 is an allowable maximum. Item (7) Miscellaneous, $1,000.00, and item (8) Contingencies, $5,000.00, are both allowable maximums. The contract itself makes the total estimated costs of the project an allowable maximum.

All expenditures under this contract are on an actual cost basis.

It is suggested that a copy of this letter be furnished

Mr. Hull, Auditor for the Contract Administration and Audit Division, and Mr. Lee, Finance and Certifying Officer of your region.

Sincerely yours,

Frank E. Johnson (B. H.)
Chairman, Operating Committee

APPROVED:

C. H. Johnson (B. H.)
Member, Bureau of Mines

A. R. Kinkel, Jr. (B. H.)
Member, Geological Survey

AGKeating/bw (written 9/26/52)
Copy to: ✓Docket
Admr. R. File
Op. Committee
H. F. Keller (2)
A. G. Keating
Mr. Bishop
Mr. McKnight
Chron.

J.H.
9-30-52

IN REPLY REFER TO:

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

July 18, 1952

Memorandum

Re: DMEA-2420
East Hypotheek Mine
Pine Creek District
Shoshone County, Idaho
$96,847
Lead, zinc

To: Mr. H. F. Keller

From: E. L. Newcomb, USGS
O. M. Bishop, USBM

Subject: Geological recommendation

The applicant requests Government assistance to explore (1) a strongly developed lead-zinc vein which strikes northwest, (2) a possible parallel vein southwest of the main vein, and (3) a set of east-west veins which join the main vein from the east. The proposed work includes 1500 feet of drifting on the main vein, 500 feet of diamond drilling to test for a possible updip extension of the southwest vein, trenching across the southwest vein, and 2500 feet of diamond drilling from the proposed drift on the main vein to explore for possible mineralization on the east-west veins.

The original field team report recommended that the applicant's proposal be approved. The review memorandum on the application and field report by the Bureau and Survey approved most of the project, but questioned the need for a contingency fund and the trenching on the southwest vein. After a consultation by the field team, applicant is willing to delete trenching from the program since the primary objectives of the proposal are to explore the northwest vein structure and the east-west cross fractures.

The proposed project will explore a well-developed vein structure which is on the projected strike of a major zone of mineralization in the Pine Creek district. The mine is in the Middle Pritchard quartzites on the north flank of the Pine Creek anticline. All of the producing mines in the area are in this same structural setting. Although no systematic sampling has been done by thefield team, the applicant states that car samples have been averaging about 10% combined lead and zinc. Channel samples taken by the applicant assayed 16% lead and 9.3% zinc, though the lengths of these samples were not given. This grade probably does not represent the grade of the ore for a mining width.

On the basis of available geological information, the proposed drifting and drilling are warranted for the exploration of the zone of mineralization on the Hypotheek property. Two holes have been

included in the project to test for a possible updip extension of indicated mineralization in the southwest vein on the 200 level. Although more information about the mineralization on the 200 and 300 levels would be desirable, an examination of these levels cannot be made as they are flooded. The cost of drilling the 2 holes to test for upward extension of the "200 level" vein as a separate southwest vein should be much less than the expenditure required to dewater and rehabilitate the levels for an examination. It is entirely possible that the 200 level mineralization represents the downdip extension of the main vein. However, it is not known whether the position of the 200 and 300 levels are accurately represented on the applicant's map. Also, since the dip of the main vein varies considerably along the north adit, it is not possible to accurately predict where this vein is located with respect to the 200 level at depth. The proposed drilling should readily determine whether the 200 level mineralization is on a parallel vein or the downdip extension of the main vein. There is a very good chance that the 200 level mineralization represents another vein and that it may contain minable ore.

The memoranda from the field team indicate that the proposed work has been thoroughly considered from all possible angles and we believe they have developed a strong case geologically in support of the proposed work. With the exception of the trenching on the southwest vein, we recommend that the proposed project be approved as presented by the field team.

With regard to the contingency fund, we agree with the field team that such should be allowed. In almost all exploratory programs contingencies arise that cannot be specifically foreseen. Labor costs will probably increase and there are possibilities of heavy ground being encountered in the drift. It might also develop that diamond drilling cannot be done at the projected $4.60 a foot. Contingency funds will provide for emergencies as they arise without the necessity of contract revisions.

E. L. Newcomb
E. L. Newcomb
Geologist

O. M. Bishop
O. M. Bishop
Mining Engineer

FILE COPY
SURNAME:

Keller (mf)

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

July 1, 1952

To: Mr. Mittendorf

From: Base Metals Division

Subject: Docket No. DMEA - 2420, Hypothesis Mining and Milling Company, Yreka Mining District, Idaho

The following are the data you requested on the status of the subject application:

Application dated January 3, 1952
Application received March 13, 1952
Field Examination, March 7, 1952. Recommending Proposed Exploration Project at cost of $99,641.00
Letter, April 11, 1952 to Weissenborn requesting information
Letter, April 21, 1952 answering above letter
Letter, May 26, 1952 to Weissenborn proposing changes in project
Letter, June 20, 1952 answering above letter
Information and docket being examined by commodity group

A contract will be made, but on a reduced scale from that proposed by applicant.

Keller (mf)
H. F. Keller

HFKeller/mb
7/1/52
cc to: Adm. R. File
Docket
Mr. Keller

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

[illegible] 1[illegible] Ward Street
Spokane 1, Washington

Air Mail

Jun 2[illegible], 19[illegible]2

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region II

Subject: Transmittal of memoranda re East Hypothesis property of Hypothesis Mining and Milling Company, Shoshone County, Idaho, DMEA Docket 2420, Fb, Ia.

Attached are memorandum from M. T. Reno, USBM, and S. B. Campbell, USGS, which are in reply to your letter of May 26 in which a number of fundamental changes were suggested in the proposed contract as submitted by the Field Team. Both Mr. Reno and Mr. Campbell are unable to agree that the suggested changes would be desirable and have replied at some length, pointing out the reasons why these changes are not acceptable.

It is sincerely hoped that on the basis of the points raised in the above-mentioned memoranda that a contract can be written along the lines suggested by the Field Team. I would like to point out that the proposed program was worked out only after much discussion between the applicant and the Field Team and is considered by us as a feasible scheme. Furthermore, the contract has been under negotiation for several months and has been the subject of several letters and telephone discussions, and the operators are becoming understandably impatient. They point out that the fact that they have applied for exploration assistance is well known in the area and that the delay in obtaining the contract has given rise to rumor that the DMEA does not consider their property a good exploration risk. In common with many Coeur d'Alene companies, the company customarily raises money for exploration by assessment on outstanding stock. The effect of the delay has been a high proportion of the assessments are delinquent, whereas in the past assessments have generally been promptly paid. They thus complain that the DMEA program has not helped, but has hindered them.

Inasmuch as the Field Team regards the property as a good exploration bet, we trust that with the information presented in the attached memoranda, a contract can be written promptly.

A. A. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosures
cc: USBM

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
JUN 23 1952

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

WASHINGTON 25, D. C.

So. 157 Howard Street
Spokane 4, Washington

June 20, 1952

Memorandum

To: A. E. Weissenborn, Exec. Officer, DMEA Field Team, Region II

From: A. B. Campbell, Geologist, U. S. Geological Survey

Subject: East Hypotheek property of the Hypotheek Mining and Milling Company, Wallace, Idaho. (DMEA Docket 2420)

This memorandum is written in response to the Operating Committee's letter of May 26 requesting clarification of some points in the proposed exploration program at the subject property.

The points brought out in the Operating Committee's letter have been discussed with the applicant and the following discussion of them contains certain revisions which meet with his approval.

A point of importance which has bearing on several of the Committee's recommendations is that absolutely no verified information is available concerning the shaft or the 200 and 300 levels off of the shaft. An old map of these workings does exist but the accuracy of this map is questioned and the information on it is sketchy and appears somewhat contradictory. The applicant and the examining staff of the Field Team agree that it is best not to place too much confidence in this map. It is not known whether or not the map represents a transit survey--a point of importance as the pyrrhotite-rich veins in that area may seriously affect a compass--so that sections or projections through the levels are practically worthless. The applicant and the examining team are also in agreement that the possible costs of unwatering and rehabilitation just to map these levels preclude such a project at this time. I believe, however, that such work will become increasingly important as exploration on the north adit level progresses. This work should and will be done on the operator's own initiative, for he understands fully the value of the information which would be obtained. First, no very important - then, very important -

The Operating Committee has questioned the usefulness of diamond drill holes C-1 and C-2 to explore for a vein indicated as being parallel to and southwest of the north adit. The objections

are based on a projection of the vein from the 200 level to the north adit. Such a projection would be of some value only if detailed geologic information were available on the 200 level. There apparently is some confusion because of the fact that in one instance the vein in the north adit is shown as dipping 60° W. in one place and 70° W. in another and yet, on the other hand, he apparently places implicit faith in projections made to or from a level about which practically no information is available to base such projections on. I would like to emphasize that in a replacement type vein in a shear zone the ore shoots or lenses often have a local dip that is considerably different from that of the shear zone in which they occur. Reliable projections of such shear zones cannot be made from the geologic information available from only one level on the structure. For these reasons I feel that there is a distinct possibility that the shear zone cut on the 200 level (as shown on the old map) is not the same structure that is being followed in the north adit. The positions of the 200 and 300 levels, if at all correct on the old map, point to the fact that the two levels were not on the same mineralized structure but on two possibly parallel structures. If there was a vein on the 200 level it probably will lie to the southwest of the north adit. The cheapest way of determining the presence or absence of such a vein would be diamond drilling. The information thus obtained would do much to clarify the spacial geologic picture in a small complicated zone.

The Committee's letter also mentions the possibilities of exploring the small ore shoot in the north adit at depth by either diamond drilling and drifting or a raise. Any work done at depth on this ore shoot would involve unwatering and rehabilitating the shaft and the two levels from the shaft. In addition, it is known that during the time the mine was last operated a detachable hoisting bucket was used, being transferred from the fan on a car, then hooked to the cable and hoisted, and that there is no pocket at the bottom of the shaft. Any additional work done through the shaft would necessitate the cutting of a pocket. Also work through the shaft would require at least two more men on the crew than are required on the present drifting crew. All of this expense is not warranted on the basis of the one ore shoot now known. This shoot probably contains enough ore so that it might well be mined out at a profit by leasers but certainly it is not of the size or grade to stimulate the company to develop it at this stage in their exploration program. I agree with the Operating Committee that the north adit vein may lie in the 300 level near its end; however, the lack of assay data and detailed geologic mapping on this level precludes, at least in my mind, the expenditure which would be required to gain this information. All of the equipment which would be necessary for unwatering is now owned by the Hypotheek Company and the applicant fully intends to unwater these workings at his own expense while the proposed DMEA program is in effect in the north adit.

When the workings become accessible he plans to have detailed geologic maps prepared so that future plans for work from these levels can be planned more realistically than is now possible.

I cannot agree with the Operating Committee that the contingency fund is unnecessary. I believe that the Government must be realistic when entering into contracts such as the one now proposed, at least to the point of following good standard practices of mining economy. There have always been such unforeseeable developments in mining, such as bad ground that requires timbering, water problems, and mechanical failures. These added to the more recent unpredictable items, such as rising supply costs and increasing wages, makes a contingency fund necessary for a sound, well-planned exploration program. For instance, negotiations between labor and management are now in progress in this district for substantial wage increases. If we may use the past history of such negotiations as a pattern, then these wage demands will be met and the typical round of price increases will follow almost immediately. Thus the estimate of $30 per foot for drifting at this mine will probably represent, at best, a minimum cost. With only a specific amount of money to spend on an exploration project, the appearance of such contingencies as listed above could only result in a lowering of the standards of the work required to attain a given goal or in a reduction of the amount of work done so that possibly the goal would not be reached at all. In view of the fact that the making of amendments to DMEA contracts to cover possible contingencies is laborious and time consuming for both the Field Team and the Operating Committee and also that certain hardships might be worked upon the operator by the ensuing delay, I feel that a fund for contingencies is warranted. These funds could not be spent without the knowledge of the Field Team so that improper use is nearly impossible. The amount included in the contract for use in the event of contingencies might well be reduced from the original proposal and still be effective. Although I feel that such a fund is necessary, I would hesitate to make it an issue which would impede the writing of this contract. If the Operating Committee still feels strongly that it is unnecessary and it is the only issue holding up the contract, then I would agree that the contract should be written without it and contingencies, when and if they are encountered, will have to be met in the best manner possible at that time. The applicant is fully aware that contingency funds have been included in other DMEA contracts in this district and elsewhere.

The Operating Committee has questioned the advisability of the bulldozer trenching on the south vein without extensive complimentary subsurface exploration. I appreciate the point which they raise and am in agreement to the extent that such work can be only preliminary at best. On the other hand, however, it is almost impossible to plan a

rigid underground program before the trenching has been accomplished. This is particularly true in this instance where indications of the vein can be traced intermittently for approximately 4,000 feet along strike over fairly irregular topography. After the information is available from the trenching, it might become apparent that a new adit at a higher level would be preferable over additional drifting in the present adit, or that surface diamond drilling might be the next logical step. It appears that an unqualified commitment of funds would be necessary if a coordinated program of trenching and subsurface work were carried out. At the completion of trenching in such a program I assume that the Field Team would make recommendations concerning the most feasible type of subsurface work. At this time, however, the applicant is primarily interested in pursuing the work in the north adit and is agreeable to the deletion of the trenching phase of the program. He plans to make separate application for DMEA assistance for this work at a later date.

I would again like to make recommendation for favorable consideration of this application for exploration assistance. The original proposals were worked out by two of the Coeur d'Alene district's outstanding geologists who have an intimate knowledge of the area included in this application. The application has in turn been reviewed by members of the Geological Survey and Bureau of Mines, who have agreed that the program, particularly the phase including the drifting and drilling in the north adit, is sound exploration. This work, in addition to following a mineralized vein, will explore the projected intersections of the north adit vein with a series of east-west trending veins. In this district such intersections, where more intense fracturing of the country rock has occurred, often contain ore shoots. In addition to exploring these intersections, the east-west trending veins will themselves be explored by diamond drilling from the north adit.

A. B. Campbell
Geologist

cc: USBM, Albany
USBM, Spokane
USGS (SRO)

1201 N. Division St.
Spokane 2, Wash.
June 6, 1952

MEMORANDUM

To: M. E. Velin, Member, DMEA Field Team, Region II

From: H. T. Reno, mining engineer, Bureau of Mines

Subject: Docket No. DMEA 2420, Hypothesis Mining and Milling Co. (lead-zinc) re Operating Committee letter of 5/26/52

I examined this property with Campbell of the USGS, checked the applicant's cost estimate, and later, in Campbell's absence, answered an Operating Committee letter of inquiry dated April 11, 1952. The Operating Committee has again asked for an explanation of some parts of the proposed project. A complete answer involves overlapping of the geologic aspects and the proposed method of approach. Campbell will also submit an answering memorandum.

Perhaps the applicant's enthusiasm and his sampling of narrow stringers in small pods have clouded the picture. The presence of lead-zinc mineralization is one of the attractive features of this project. However, if the applicant had aimed the exploration work at this one small section of the vein, denial would certainly have been recommended because of the relatively large expense involved in exploring the limited possibility of the existence of a small ore body.

The shaft and the 200 and 300 levels are flooded and no sample data are available. The expense involved in exploring from the shaft on the 300 level is not justified by the present knowledge of the vein. Although projecting the vein upward from the 200 level, using one of the recorded dips, places it in the North Adit, the relative position of the 200 and 300 levels makes it seem unlikely that the vein on the 200 level and the one in the North Adit are the same vein. Holes C-1 and C-2 will probe for the upper extension of the 200 level vein.

The program as submitted will explore 1700 lineal feet strike length of the vein for the least possible cost. The diamond drilling is outlined to explore what at this time seems to be the most favorable areas to the northeast, and Holes C-1 and C-2 will serve a double purpose and test for the presence of unknown parallel

structures that might be concealed by heavy overburden to the southwest. If Holes C-1 and C-2 are negative, no further drilling will be done in this direction; if not, sufficient length of hole has been planned to the northeast to allow revision of the program to include some extra holes to the southwest.

Surface trenching of the south vein with a bulldozer is not an integral part of this project. I see no objection to the Operating Committee's wish to delete it. As the vein does present interesting possibilities, the applicant will probably do the bulldozing on his own account.

Although it is believed the $9,000 contingency fund is unnecessary, if heavy ground requiring timber is encountered the drift cannot be driven for the estimated cost of $30 a foot. It might be well to assume that a third of the drift will require timber at an increased cost of $6 a foot. This will provide $3,400 for the major contingency; the others are negligible.

H. T. Reno

[redacted]

cc: USGS, Spokane
4 cys - Wash.

500
FILE COPY
SURNAME:

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

F. X. Corbett
Moulds
Mutt

MAY 26 1952

Mr. A. E. Weissenborn
Executive Officer, Region II
DMEA Field Team
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-2420
Hypotheek Mining & Milling Co.

Dear Mr. Weissenborn:

This office has been considering the program for the Hypotheek Mine and would appreciate an explanation of certain parts of the project. Our previous letter of April 11, and your reply did not clear up some questions and a further study of the matter has created others.

Two diamond drill holes C-1 and C-2, totalling 500', are planned to explore a vein indicated as being parallel to and southwest of the North adit. From the data supplied, it is doubtful if these holes are warranted, as the projection of the vein from the 200 level would place it in the North adit. Other data places it elsewhere. Further, there is no sample data on the 200 or 300 levels to indicate the character of the vein material.

In the North adit there is a body of ore which has been exposed in the drift for 60' to 150' depending on the interpretation of the map. It would seem the exploration of this orebody should be the immediate concern of the owner. The upward extension is limited to about 100'; the lower extension, probably of greater interest, can be explored by either diamond drilling and drifting or a raise. The uncertainty as to suggested methods is caused by a lack of positive information regarding the dip of the vein. If the ore in the North adit dips 70° West as shown, it will lie about 70' East of the 300 level; if it dips 60° West, which is also indicated, it will lie in the 300 level drift near it's end. The proper exploration and exploitation of this orebody may lead to the early production af needed metal without hindering the concurrent search for additional ore.

It is assumed you are agreeable to deleting the contingency fund from the contract when written.

The use of a bulldozer in the manner and to the extent proposed is not warranted in this project. Without extensive complimentary subsurface

exploration, such as core drilling, of any mineralization uncovered by bulldozing on the South vein, 1000' crosscuts from the North vein to prospect for such mineralization at a depth of 500 to 600 feet seem entirely to speculative.

Will you kindly consider the above and let us have your suggestions.

Sincerely yours,

(signed) FRANK E. JOHNSON

(FEJ)

Chairman, Operating Committee
Defense Minerals Exploration
Administration

APPROVED:

W. H. Hedges

Member, Bureau of Mines

D. M. Lemmon

Member, Geological Survey

FXCorbett/hmj
5-23-52
CC to: Adm. Reading File
Operating Committee
Region II
Docket File Copy
Mr. Bishop
Mr. McKnight
Mr. Corbett
Mr. Moulds

OFFICE OF THE ADMINISTRATOR

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

So. 157 Howard Street
Spokane 4, Washington

April 30, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 5 1952

Chairman, Operating Committee
Defense Minerals Exploration Administration
Department of the Interior
Washington 25, D. C.

Re: Hypotheek Mining & Milling Co.
Docket No. DMEA 2420

Dear Sir:

Enclosed are four copies of a report from H. T. Reno concerning the application for DMEA assistance, submitted by the Hypotheek Mining & Milling Co., Shoshone County, Idaho. This report is in answer to a letter from Chairman, Operating Committee, DMEA, dated April 11, 1952, concerning the subject application.

Sincerely yours,

M. E. Volin
Acting Executive Officer
DMEA Field Team, Region II

Enclosures.

cc: USBM

M. E. Volin, Member, DMEA Field Team, Reg. II April 21, 1952

H. T. Reno, mining engineer, Bureau of Mines

Docket No. DMEA 2420, Hypothesk Mining & Milling Co. (lead-zinc) - re Operating Committee letter of April 11, 1952

Purchase of a loader and a 3-ton diesel locomotive and the necessity for a contingency fund (Items 1, 2, and 4 of the Operating Committee's letter) were discussed with the applicant on March 3, 1952, when Mr. Campbell and I visited the property.

Including the purchase of a loader and a contingency fund in the contract were more or less concessions to the applicant. The applicant's funds for this project are limited, and he wished if possible to include purchase of the loader in the exploration contract. The loader was obtained on a rental-purchase agreement specifically for this work. Loaders are not available for rent in the Coeur d'Alene district. The applicant wished to include the rental-purchase agreement in the contract in order to hold his cash outlay to a minimum. If the loader is included on a depreciation basis, the applicant will have to make the full purchase payments with no participation by the Government. Purchase as specified in the proposed contract appeared to be in order inasmuch as other projects often include outright purchase of equipment.

I, too, thought the contingency fund unnecessary. It was included at the applicant's insistence.

The purchase of a 3-ton diesel locomotive for $6,000 seems to be in order. The rental price for an adequate battery locomotive (if available) is about $500 a month or a cost of $9,000 over an 18-months period. An air trammer is not adequate for 1700 lineal feet of drifting.

My understanding of the bulldozing (Item 3, Operating Committee letter) was that a limited amount of dozing at favorable locations on the projected outcrop could possibly disclose sufficient persistence of the south vein to justify exploration at depth from the proposed North drift. Mr. Campbell was over the ground and thought the program was feasible.

H. T. Reno

cc: USGS, Spokane
4 cys--Wash.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 5 1952

500 FILE COPY
SURNAME:

Moulds

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

APR 11 1952

Mr. A. E. Weissenborn
Executive Officer, Region II
DMEA Field Team
South 157 Howard Street
Spokane 8, Washington

Re: Docket No. DMEA 2420
Hypothesk Mining & Milling Co.
Lead-Zinc

Dear Mr. Weissenborn:

Review of the subject project, proposed contract and field recommendation indicates the need for clarification of the following points prior to approval of a contract.

(1) Purchase of a loader prior to effective date of the contract indicates that this equipment should be depreciated instead of being classified as rented as shown.

(2) Purchase of a 3-ton diesel locomotive for the job when a borrowed trammer now on the job might be available on a rental basis.

(3) The use of a bulldozer for 20 days to investigate the South Vein when the applicant has stated - "Underground methods are chosen because of deep surface covering, which includes bench gravel, rendering mechanical trenching impractical." The feasibility and necessity of this part of the project thus appears questionable.

(4) The necessity of a contingency fund of approximately $5.00 per foot, in view of the indicated excessive cost in the application and reduction of only $2794 in the proposed contract in relation to the application, also appears questionable.

We will appreciate your consideration and comment concerning the points presented at your earliest convenience.

Sincerely yours,

(signed) FRANK E. JOHNSON
(FEJ)
Chairman, Operating Committee
Defense Minerals Exploration Administration

DEMoulds/hmj 4-9-52
CC to: Adm. R. File
Docket File Copy
Operating Committee
Mr. Bishop
Mr. McKnight
Region II
Mr. Moulds

APPROVED:

J. H. Hedges
(JHB)
Member, Bureau of Mines

T. P. Thayer
(TPT)
Member, Geological Survey

IN REPLY REFER TO:
DMEA-2420

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

So. 157 Howard Street
Spokane 1, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 13 1952

March 10, 1952

Memorandum

To: Chairman, Operating Committee, DMEA, Washington 25, D. C.

From: Field Team, Region II

Subject: Hypotheek Mining and Milling Company, East Hypotheek mine, Shoshone County, Idaho; application for exploration assistance. Commodity: Lead and zinc.

An examination of the subject property, made on receipt of an application for exploration assistance and prior to docketing, has been completed. The Field Team recommends the proposed project for favorable action.

H. T. Reno, Mining Engineer, Bureau of Mines, reviewed the application and felt that the mining costs were somewhat excessive. The applicant was contacted by Mr. Reno and A. B. Campbell, Geologist, Geological Survey, and certain modifications in the total cost of the project and in the proposed exploration work were agreed upon. The enclosed copies of Form MF-200, Exploration Project Contract, are based on the modified program as approved by the applicant, and therefore differ in some respects from the proposal outlined in the original application.

Memorandum reports concerning the property, prepared by H. T. Reno and A. B. Campbell, are forwarded herewith for review, accompanied by the following docket material:

Form MF-100, 4 copies
MF-103, 4 copies (including 4 copies each of three maps)
MF-200 and exhibits, 6 copies
Owner's consent to lien, 6 copies
Property purchase agreement, 1 copy.

By DMEA Field Team, Region II

A. E. Weissenborn

A. E. Weissenborn, Exec. Officer
(U. S. Geological Survey)

M. E. Volin

M. E. Volin, Member
(U. S. Bureau of Mines)

Enclosures
cc: USBM, Spokane

ON-SITE EXAM

DMEA-2420

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 13 1952

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane 4, Washington

March 7, 1952

Memorandum

To: A. E. Weissenborn, Executive Officer
DMEA Field Team, Region II

From: A. B. Campbell, Geologist, U. S. Geological Survey

Subject: Application for exploration assistance, Hypotheek Mining and Milling Company, East Hypotheek Mine, Shoshone County, Idaho.

The Hypotheek Mining and Milling Company has submitted an application for an exploration loan of $99,641.00, to be used at their East Hypotheek mine (formerly known as King of Pine Creek), in the Yreka mining district, Shoshone County, Idaho. In view of the fact that this property has been examined within the past two months by myself and other members of the Geological Survey, no additional field examination was deemed necessary.

Mr. H. T. Reno, U. S. Bureau of Mines, examined the cost estimates in the application and felt that they were excessive. On March 3, 1952, Mr. Reno and I discussed the program and costs with the applicant and certain changes were agreed upon by all parties. The revised exploration program involves a total expenditure of $96,847.00, and consists of the following phases of exploratory work:

1. 1,700 feet of drifting on a northwest-trending sulphide-bearing vein.

2. A total of 2,500 feet of diamond drilling to the north of the drift to test a series of east-west trending veins that crop out north of the adit.

3. A total of 500 feet of diamond drilling to the south of the drift to explore the upward and lateral extension of a vein opened by previous exploration on the 200 level of the mine.

4. A limited amount (20 days) of surface bulldozer trenching will be performed on the outcrop of a vein south of the proposed drift to determine its character and extent.

Reviewed by
DMEA OPERATING COMMITTEE
3-19-52
(~~2~~3) (date)

The locations of the above work are shown on a map acoompanying the application. A cost breakdown of this work and the required equipment has been prepared by H. T. Reno and is included in Exhibit "A" of the accompanying Exploration Project Contract.

The area included in this proposed program represents one of the largest blocks of unexplored favorable ground in the Yreka (Pine Creek) mining district. The map of the Pine Creek area that accompanies the application shows the location of the mine with respect to known lead-zinc mineralized zones of the district.

The mineral deposits of the Pine Creek district are confined entirely to the Prichard formation of the Belt series and show a particular affinity to a lithologic zone known as the "Middle Prichard" quartzites. This zone is present in the East Hypotheek workings. The mine is located on the north flank of the Pine Creek anticline. All of the producing mines of the area are similarly located on this major fold. No production of lead or zinc has been derived from the south limb of this anticline. The workings of the East Hypotheek lie on the projected strike of the major zone of mineralization of this district.

The vein to be explored by the drifting is a well-developed structure, which is known to contain varying amounts of lead and zinc sulfides in the portion thus far explored by drifting. During the course of the past few months I visited the property several times and was able to keep fairly well informed on the progress of about 100 feet of drifting on this vein. The vein has relatively well-defined walls so that no difficulty is anticipated in following it for the proposed 1,700 feet. To date, the lead-zinc mineralization has been somewhat sporadic, varying from virtually barren areas in the vein upwards to fairly complete replacement over a three-foot width. Iron sulfides, particularly pyrrhotite, are a common occurrence with the ore. No systematic sampling and assaying has been attempted; however, according to the applicant, car samples have been running about 10 percent combined lead and zinc and 1 ounce of silver per ton. The lead and zinc are present in about equal proportions. The applicant also reports channel sample assays of 16 percent lead, 9.3 percent zinc and 3.5 ounces of silver per ton, but no channel lengths were quoted; thus, these assays may not be indicative of the grade at mining width. These assays are rather unusual in the light of the past production of the district, which has shown a zinc:lead ratio of 2 or 3:1.

Mr. Veral Hammerand, Geologist of the Bunker Hill Mining Company, will be retained by the applicant as a consultant to be in charge of the geologic work. Mr. Hammerand's intimate knowledge of the Pine Creek ore deposits will be a definite asset to this

exploration program. The mining operation will be supervised by Mr. John Kingsbury, who has been actively engaged in mining in this district for fifteen years. Although his training has been primarily in mining engineering, Mr. Kingsbury has a basic knowledge of geology and an appreciation of the importance of geologic guidance in this area. I feel that he is entirely capable of conducting the proposed program efficiently.

No difficulty is anticipated in acquiring manpower, equipment, or other facilities. Such things as water supply, power, housing, etc., are adequate and readily available for this operation.

It is my opinion that the program proposed by the applicant is feasible and shows promise of opening a significant tonnage of ore. I recommend, therefore, that the applicant be favorably considered for an exploration loan of $96,847.00.

A. B. Campbell
Geologist

cc: USBM-Spokane
USBM-Albany

DMEA-2420

M. E. Volin, Member, DMEA Field Team, Reg. II March 4, 1952

H. T. Reno, Mining Engineer, Bureau of Mines

Application for exploration assistance, Hypothesk Mining & Milling Company, East Hypothesk mine, Shoshone County, Idaho

At the request of A. B. Campbell of the U. S. Geological Survey, I reviewed his report and the applicant's cost estimate. As the estimate appeared to be excessive compared to average costs in the district, I discussed the exploration program and examined the property with the applicant and Mr. Campbell on March 3, 1952.

Work at this property has been handicapped by the condition, line, and grade of the original adit. Consequently, costs have been high and standards of work low. However, the proposed program includes straightening and rehabilitating this adit, and it is believed that costs will be within the cost estimate and proposed exploration contract attached herewith.

The proposed exploration program is well planned, and I concur with Mr. Campbell's recommendation for favorable consideration.

H. T. Reno

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 13 1952

cc: USGS

6/5/51

Defense Minerals Administration

Review of Application for Exploration Assistance

Mr. A. E. Weissenborn
Executive Officer, Field Team
Region II
South 157 Howard Street
Spokane 8, Washington

Docket No. D.M.E.A-2420

Commodity Lead-Zinc

Total Amount $99,641 requested ($46,847 recommended)

Govt. Participation 50% ~~$49,820.50~~ ($48,423.50)

1. Name and Address of Applicant Hypotheek Mining & Milling Company, 510 Bank Street, Wallace, Idaho

2. Location of Property Pine Creek District, Kellogg, Idaho. Rose Bird, Otto Fraction, Olson the Miner, Olson the Miner Fraction, Monte Cristo & Monte Cristo Fraction, lying in Secs. 17, 18, & 20, T48N, R2E, B.M. Also Patented Homestead 160 acres, in Sec. 8, T48N, R2E B.M.

3. Mineral or metal Lead and Zinc Silver Is it listed in Section 9 of MO-5? Yes

If not, application will be rejected.

4. Geologic probability of discovery—based on data in application (question #16, 17, 18, 20 and 22)*

Mines or Survey reports, etc., do you rate chances:

a) Good ✓ See Field Team report

b) Poor

c) None

d) Don't know—needs field examination

e) Is there an alternative and favorable project? No
(If so, attach an explanation)

5. Is the applicant's right to the property clearly stated? Yes
(question 5, 6, 7)*

6. If applicant is a lessee, is a copy of the lease attached?

Does the lease have sufficient time to run to cover a future productive period?

*question numbers are those of MF-103

7. Are subordination agreements necessary? _____

a) MF-201? _____

b) MF-202 _____

8. From the data presented, does the proposed project appear feasible from the point of view of:

a) Available manpower Yes

b) Equipment and supplies Yes
(Question 14 plus general knowledge of availability)*

c) Accessibility (question 12)* Yes

d) Water (question 13)* Yes

e) Power (question 13)* Yes

Is a field check needed on any of these points? No

9. Does the experience of the applicant appear to be adequate to assure that he can properly conduct the proposed project? (question 4)* Yes

_____

Is a field check needed on this point? No.

10. Exhibit A. (questions 21 and 22)*

a) Is the project adequately described? Yes

If not, are there sufficient data given so that you can describe the project? _____ If so, attach a draft.

b) Is there an adequate map or sketch of the proposed work? Yes

_____

c) Is the proposed work "exploration" under the definition of Section 8, MO-5? Yes

If not, what part of it is? _____

_____

_____

_____

Is this part a worthwhile exploration project?_____

d) Are the cost estimates detailed?_____

Can they be summarized, as on page 2 of Procedural Instruction 5-A, from the available data? Yes If so, attach a draft.

e) Are the cost estimates reasonable? Believe So

f) Should more information be requested from applicant? No

g) Is a field examination necessary to complete Exhibit A? No

11. Exhibit B (question 23-d)*

a) Is it applicable? Yes

b) If so, are sufficient data furnished? Yes If so, attach a draft.

c) Is a field check needed? Yes

12. Exhibit C (question 23-e, f and g)*

a) Is it applicable? Yes

b) Sufficient data? Yes If so, attach a draft.

c) Are rents and charges reasonable? Yes

d) Is a field check needed? Yes

13. Exhibit D (question 23-a, b)*

a) Are there sufficient data? No

b) Is the schedule adequate for the work proposed? Do not know

c) Is the schedule excessive for the work proposed?_____

d) Are the proposed wages and salaries reasonable? Yes

e) Is a field check needed? Yes.

14. Exhibit E (question 23-c)*

a) Is it applicable? _____

b) Sufficient data? _____

c) Reasonable? _____

d) Field check needed? _____

15. In your judgment, can the proposed work be done in the proposed time? Yes

(All exploration must be completed within two years)

16. If field examination is not needed, attach your recommendation.

17. If field examination is needed, do you have any special instructions for the field team not indicated by your answers to the foregoing question? Field Team should check this application to determine if entire program is necessary at this time. Beleive the addition for Contingencies, $9058, can be eliminated from Total Cost and possibly the item of $2,000 for surface trenching & sampling of south vein can be also eliminated.

Reviewed by: H. E. Olund
OMB
Mining Engineer
Bureau of Mines

Date Mar. 18th, 1952

Everett J. Ryers

INT.-DUP. SEC., WASH., D.C. 99009

ESTIMATE

Hypothesis Mining & Milling Co.

Drift estimate

Assume contract labor @ $11/ft. including cost of bits and 5 feet of advance per shift, 26 shifts per month

	cost/ft.
Labor and bits	$11.00
Drill steel - assume	.70
Explosives, 13#/ft. @ $23/100	2.99
Caps and fuse - 24 caps, 240 lin. ft. fuse/5 ft. round	.59
Air and water pipe (used)	.47
Rail (20# used)	.67
Ties, 2-1/2 ft. o.c. @ 40¢/ea.	.16
Fish plates, track bolts and spikes	.47
Vent pipe, 15"	1.08
Power - assume $300/mo.	2.33
Social Security and Workmen's Comp. 10% of payroll	1.00
Mechanic and yardman $15/day + 2-1/3% overtime + 10% ins. and taxes	3.59
Supervision and engineering	3.23
Timber - none (contingency fund for bad ground)	
Repairs and misc.	1.50
Total	$29.78
SAY	$30/ft.

ESTIMATE

Hypothesis Mining & Milling Co.

Drift estimate

Assume contract labor @ $11/ft. including cost of bits and 5 feet of advance per shift, 26 shifts per month

	cost/ft.
Labor and bits	$11.00
Drill steel - assume	.70
Explosives, 13#/ft. @ $23/100	2.99
Caps and fuse - 24 caps, 240 lin. ft. fuse/5 ft. round	.59
Air and water pipe (used)	.47
Rail (20# used)	.67
Ties, 2-1/2 ft. o.c. @ 40¢/ea.	.16
Fish plates, track bolts and spikes	.47
Vent pipe, 15"	1.08
Power - assume $300/mo.	2.33
Social Security and Workmen's Comp. 10% of payroll	1.00
Mechanic and yardman $15/day + 8-1/3% overtime + 10% ins. and taxes	3.59
Supervision and engineering	3.23
Timber - none (contingency fund for bad ground)	
Repairs and misc.	1.50
Total	$29.78
SAY	$30/ft.

File Copy
Surname

Griswold
Butin
Chamberlin
Killsgaard
Hedges
Selfridge
Johnson

500

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

Mr. Irving Gumbel, Acting Director NOV 1 - 1954
Materials Division
Emergency Procurement Service
General Services Administration
Washington 25, D. C.

Re: Docket No. DMEA-2420 (Lead-Zinc)
Hypotheek Mining & Milling Co.
East Hypotheek Mine
Shoshone County, Idaho
Contract No. Idm-E380

My dear Mr. Gumbel:

Enclosed is a copy of a certification of discovery or development related to Exploration Project Contract No. Idm-E380.

The contract was dated August 4, 1952, with the Government participating to the extent of 50 percent in an exploration project estimated to cost $70,410.00. Actual expenditures to date (subject to final audit) have totalled $37,938.71, with the Government's share being half of such amount, or $18,969.35. Work continues on the project.

The total amount of work provided for under the contract consisted of rehabilitation of 320 feet of tunnel, 1,300 feet of drifting, cutting three diamond drill stations, and 1,500 feet of diamond drilling. Work done to date, of which we have record, consists of 732 feet of drifting, 957 feet of diamond drilling, cutting a diamond drill station, and rehabilitation of tunnel.

The discovery consisted of zinc-lead ores encountered in drifting and in diamond drilling. So far insufficient work has been done to make a tonnage estimate of such ore.

Sincerely yours,

C. O. Mittendorf

Administrator

WRGriswold/bjl (8/30/54)
Copy to:
Docket
Cont.Adm.&Audit
Region II (2)
Base Metals
Admr. R. File
Op. Committee
Mr. Hedges (4604)
Mr. Killsgaard (5227)
F. E. Johnson
W. R. Griswold
Chron.

Enclosure

R.C.H.

FILE COPY
SURNAME:

500

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

AUG 4 1952

Mr. A. E. Weissenborn
Executive Officer, Region II
DMEA Field Team
South 157 Howard Street
Spokane 8, Washington

Re: Docket No. DMEA-2420 (Zinc-Lead)
Hypotheek Mining and Milling Company
Shoshone County, Idaho

Dear Mr. Weissenborn:

We are enclosing six copies of a proposed Exploration Project Contract covering some of the work proposed in the subject application.

The original application presented estimated costs of $99,641.00, covering the following:

1.	Straighten and enlarge the first 320 feet of North Adit	$ 2,500.00
2.	Drifting 1500 feet on vein of North Adit	80,904.00
3.	Drill 3000 feet of AX Diamond Drill Holes	14,237.00
4.	Surface trenching and sampling of South Vein	2,000.00
	TOTAL	$99,641.00

The proposed contract covers essentially the same proposed work, except that the trenching was eliminated and the total amount of drifting and diamond drilling was reduced. We believe that the work proposed in this contract to explore or develop the North Adit Vein and parallel or intersecting veins is sufficient to determine the ore possibilities of that vein system.

It will be necessary to insert in the contract, in the space provided under Article 3, the number of days from the date of the contract in which the work shall commence.

If you are in agreement with the contract as drawn up, and if it is acceptable to the Applicant, kindly obtain his signature to the six copies and distribute them as marked.

Sincerely yours,

(signed) FRANK E. JOHNSON

Chairman, Operating Committee

Enclosures:
APPROVED:

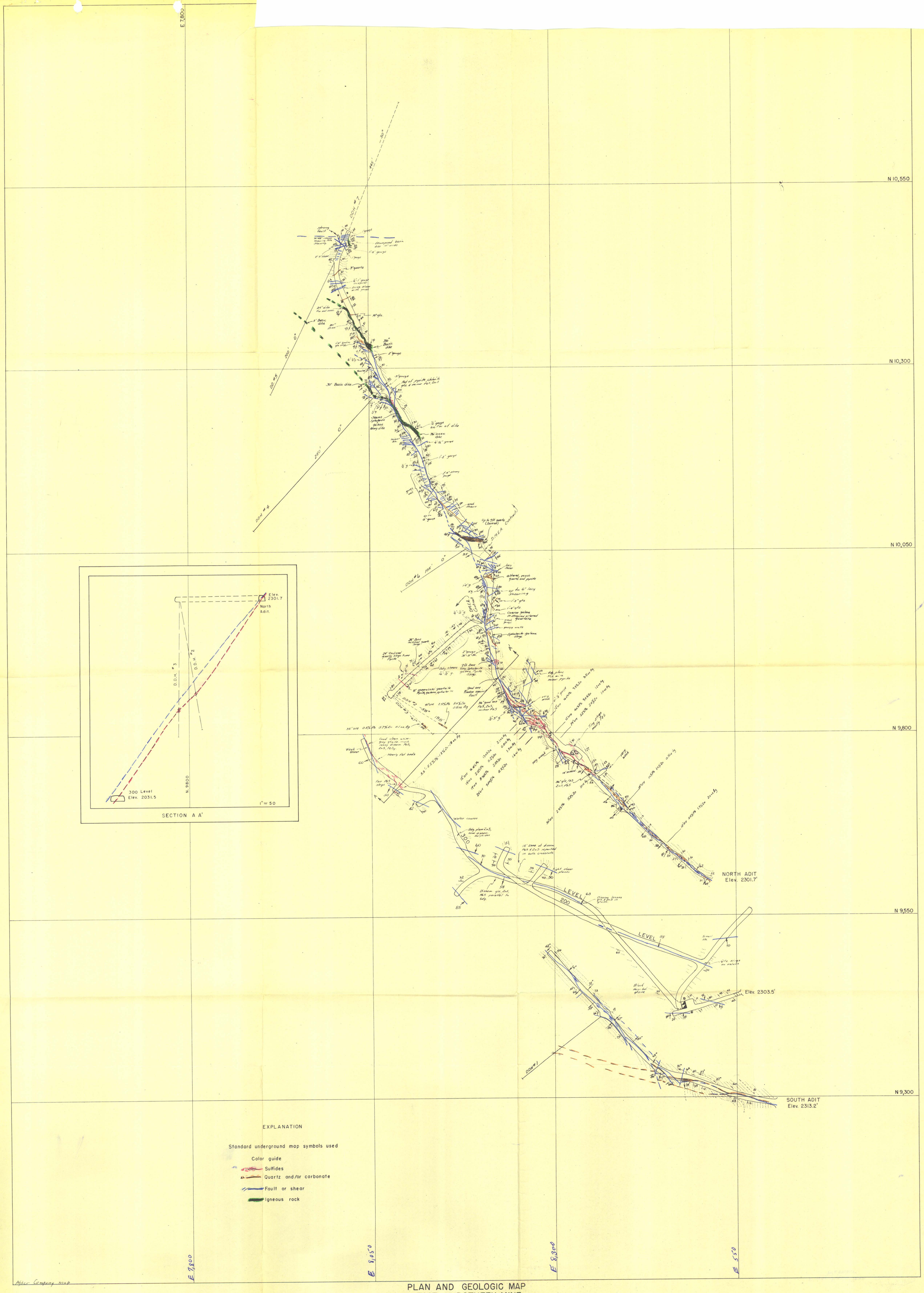
J. H. Hedges

Member, Bureau of Mines

D. M. Lemmon

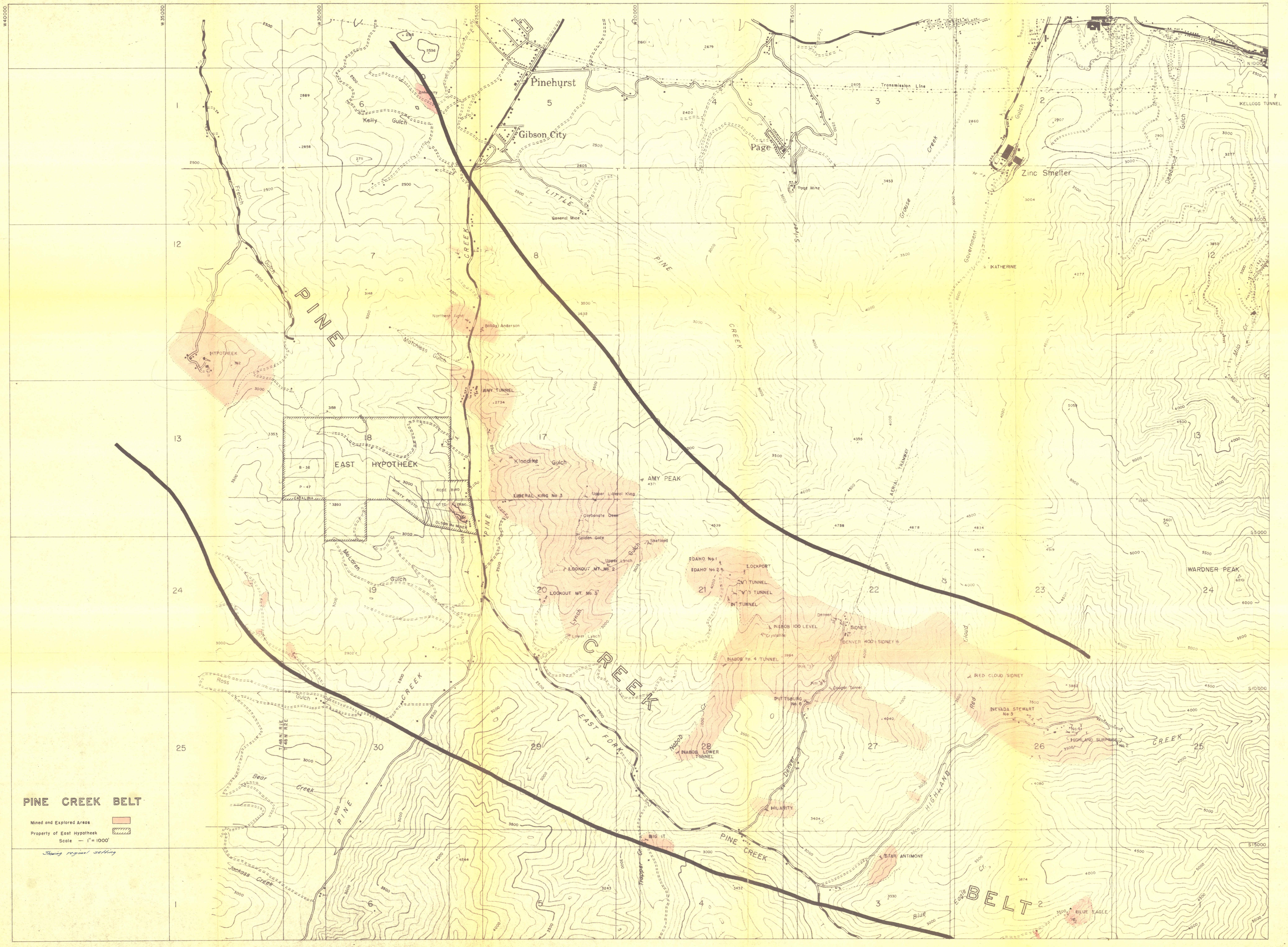
Member, Geological Survey

HFKeller/mb
July 22, 1952
cc to: Docket
Adm. Reading File
Operating Comm.
Mr. Keller
Mr. Bishop
Mr. McKnight
Region II



After Company map

PLAN AND GEOLOGIC MAP
EAST HYPOTHEEK MINE
Shoshone County, Idaho
1"=50'


PINE CREEK BELT
Mined and Explored Areas
Property of East Hypotheek
Scale — 1" = 1000'
Showing regional setting
Pinehurst
Gibson City
Page
Page Mine
Zinc Smelter
Transmission Line
KELLOGG TUNNEL
Kelly Gulch
French Gulch
LITTLE PINE CREEK
General Moe
Silver Grouse Creek
Government Gulch
Deadwood Gulch
KATHERINE
Northern Light
Bobby Anderson
Matchless Gulch
HYPOTHEEK
AMY TUNNEL
EAST HYPOTHEEK
B-36
P-47
CATALINA
ROSE BIRD
MONTY CRISTO
OTTO COLORADO
OLSON No. MINES
Klondike Gulch
AMY PEAK
LIBERAL KING No. 3
Upper Liberal King
Carbonate Deep
Golden Gate
Skelland
Upper Lynch
LOOKOUT MT. No. 2
LOOKOUT MT. No. 3
Lower Lynch
McLaren Gulch
Lynch Gulch
IDAHO No. 1
IDAHO No. 2
LOCKPORT
V TUNNEL
3 TUNNEL
IN TUNNEL
INABOB 100 LEVEL
Crystallite
SIDNEY
DENVER 400 = SIDNEY 6
INABOB No. 4 TUNNEL
Pit 3
Pit 8
Cougar Tunnel
PITTSBURG No. 6
RED CLOUD SIDNEY
NEVADA STEWART No. 3
HIGHLAND SURPRISE No. 2
WARDNER PEAK
Ross Gulch
T.48 N. R.1E.
T.48 N. R.2E.
Bear Creek
Jackass Creek
EAST FORK
INABOB LOWER TUNNEL
Trapper Cr.
HILARITY
BIG IT
STAR ANTIMONY
BLUE EAGLE
Blue Eagle Cr.
HIGHLAND
Red Cloud Cr.
Mild Cr.
AERIAL TRAMWAY
W 40000
W 35000
W 30000
W 25000
W 20000
W 15000
W 10000
W 5000
N 10000
N 5000
S 5000
S 10000
S 15000

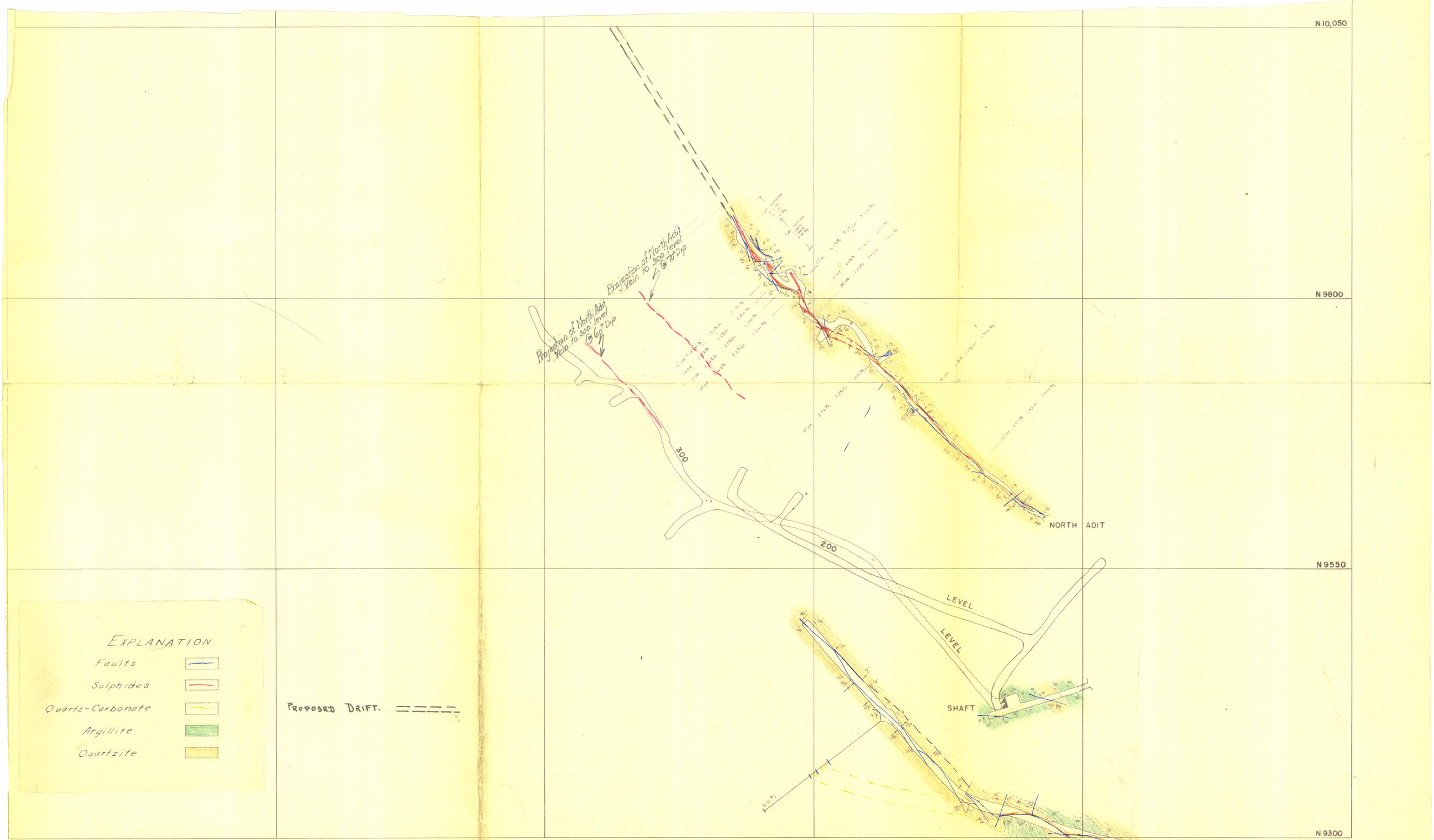
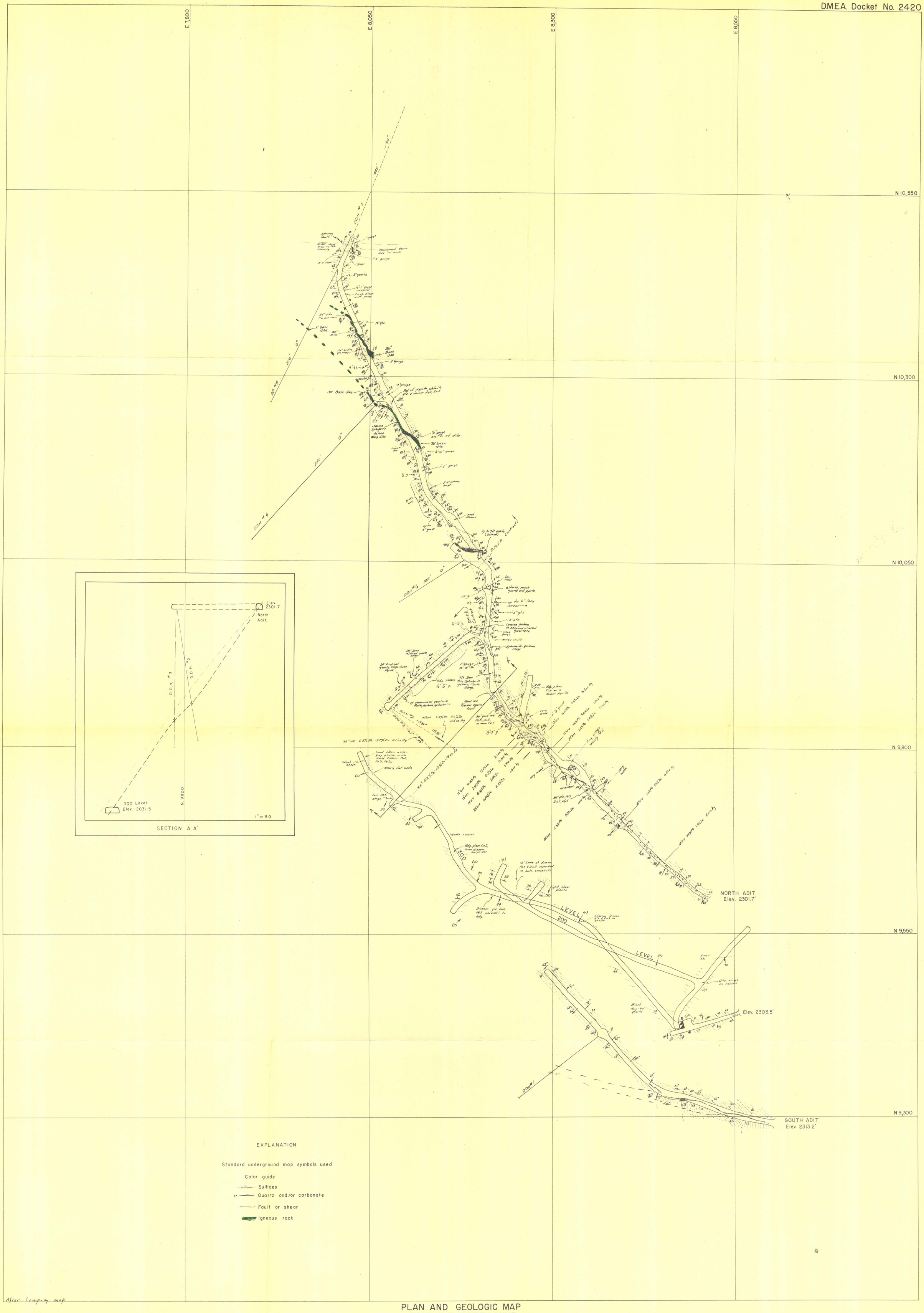


FIGURE 2

EAST HYPOTHEEK

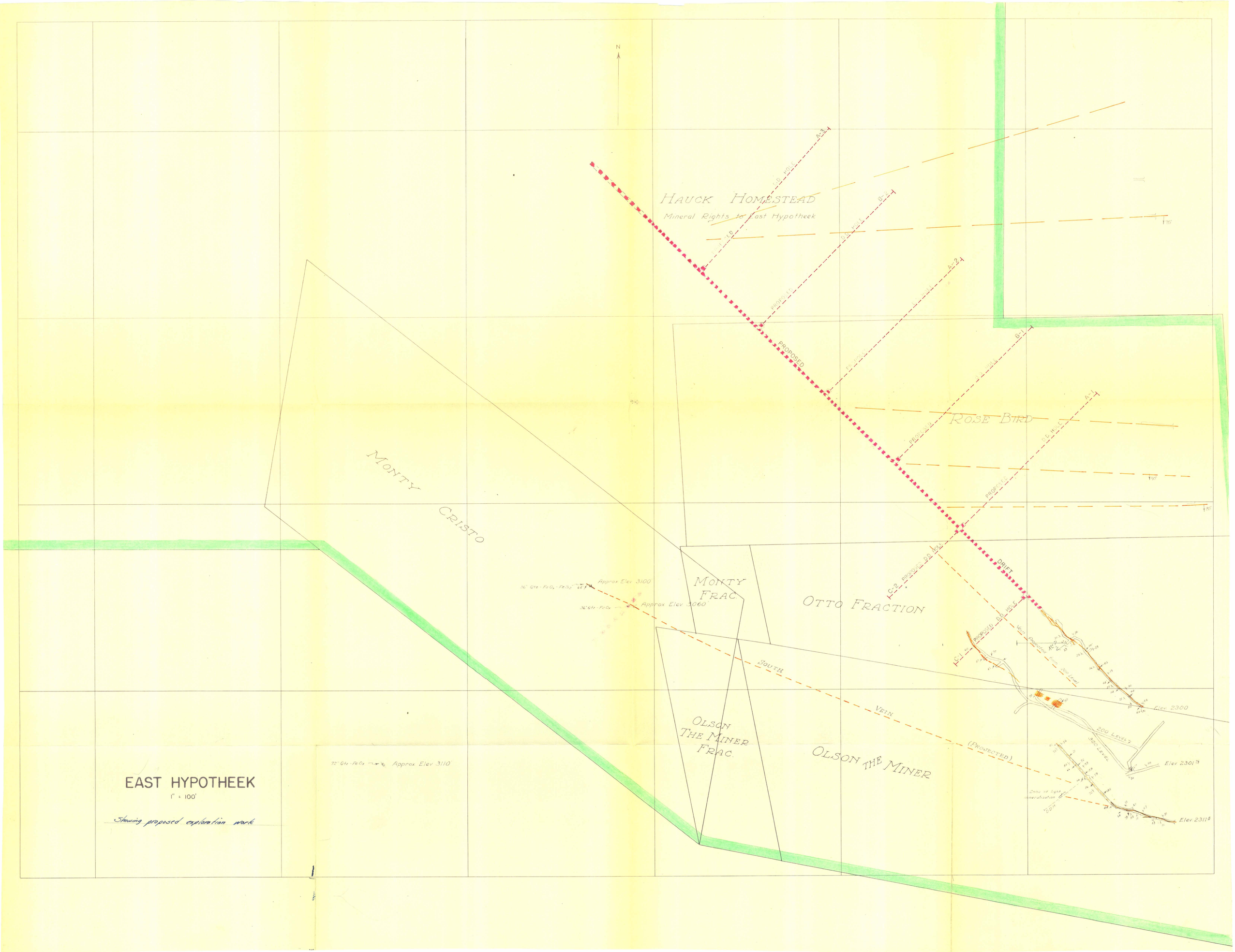
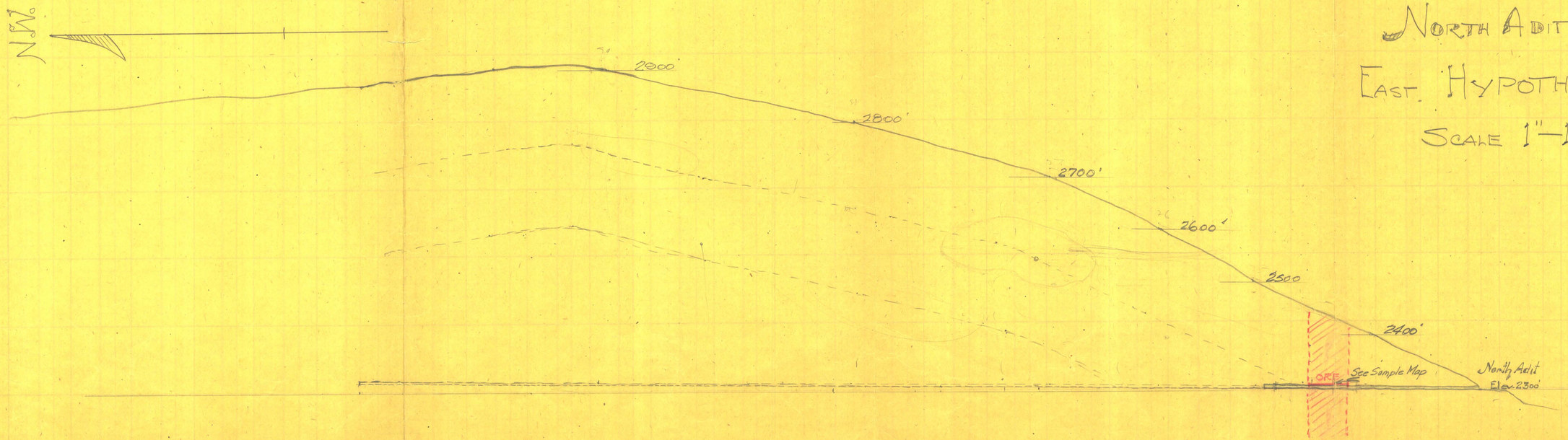
1" = 50

Plan & geology



After Company map

PLAN AND GEOLOGIC MAP
EAST HYPOTHEEK MINE
Shoshone County, Idaho
1"=50'


N
HAUCK HOMESTEAD
Mineral Rights to East Hypotheek
A-3
A-2
A-1
B-1
C-1
C-2
PROPOSED DRIFT
ROSE BIRD
MONTY CRISTO
MONTY FRAC
OTTO FRACTION
OLSON THE MINER FRAC.
OLSON THE MINER
SOUTH VEIN (PROJECTED)
Approx Elev 3100
Approx Elev 3060
Approx Elev 3110
Elev 2300
Elev 2301
Elev 2311
200 LEVEL
300 LEVEL
Zone of light mineralization
EAST HYPOTHEEK
1" = 100'
Showing proposed exploration work

LONGITUDINAL SECTION
NORTH ADIT
EAST HYPOTHEEK MINE
SCALE 1"—100'