DMEA Form 14

Contract No. Idm-E 1017

Docket No. 4007

DEPARTMENT OF THE INTERIOR

Cancelled contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

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

| Date of Contract | Region | State | Commodity |
|---|---|---|---|
| October 11, 1956 | I | Idaho | Lead-Zinc |

Name and Address of Operator: Seagraves Mining Co.
3439 N. E. Sandy Boulevard
Portland 13, Oregon

| | Reserve | Obligation |
|---|---|---|
| Prior Amount | 0 | 4,980.00 |
| Increase | 0 | 0 |
| Decrease | 0 | 4,980.00 |
| Revised Amount | 0 | 0 |

Remarks:

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

Date delivered to Bureau of Mines, Washington 10/30/57

22845

Audit copy

# RESCISSION OF EXPLORATION PROJECT CONTRACT

It is agreed this 11th day of October, 1957, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Seagraves Mining Company, Inc., an Idaho corporation, parties to that certain Exploration Project Contract No. Idm-81017 (Docket No. DMEA-4007), dated October 11, 1956, that said Contract is hereby rescinded, revoked, and cancelled as of the date thereof, before any work has been performed or any costs have been incurred thereunder, without any obligations whatever one party to the other, the same as if the Contract had never been entered into.

Executed in quintuplicate the day and year first above written.

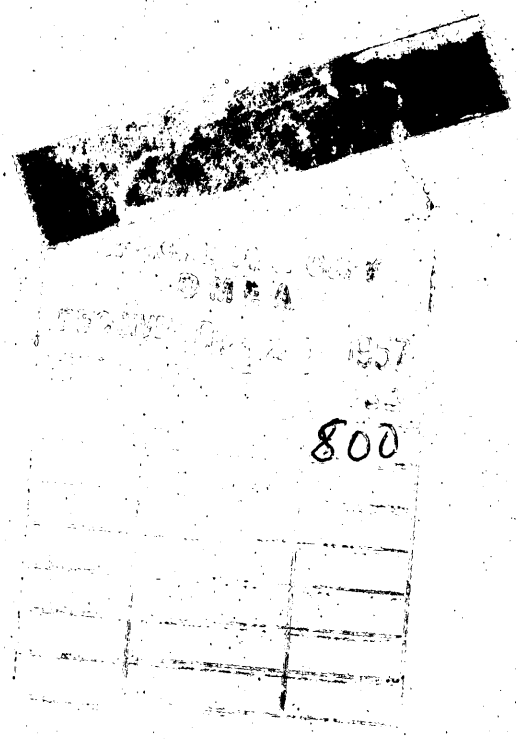
THE UNITED STATES OF AMERICA

By C P Mittendorf
Administrator, Defense Minerals
Exploration Administration

SEAGRAVES MINING COMPANY, INC.

By J L Parsons

Title Secretary



Contra[illegible] No. Idm-E 1017

Docket No. 4007

DEPARTMENT OF THE INTERIOR

**Executed contract**

DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

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

| Date of Contract | Region | State | Commodity |
|---|---|---|---|
| **October 11, 1956** | **I NW** | **Idaho** | **Lead-Zinc** |

Name and Address of Operator: **Seagraves Mining Company**
**3439 N. E. Sandy Boulevard**
**Portland 13, Oregon**

| | Reserve | Obligation |
|---|---|---|
| Prior Amount | $4,980.00 | 0 |
| Increase | 0 | $4,980.00 |
| Decrease | 4,980.00 | 0 |
| Revised Amount | | $4,980.00 |

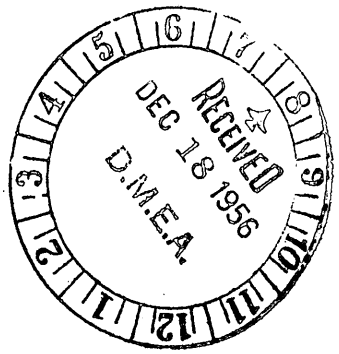
Remarks:

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

Date Delivered to Bureau of Mines, Washington **12/19/56**

9896

Government's Copy




MF-200
(Revised June 1954)

Docket No. DMEA 4007

Commodity Lead-Zinc

Contract No. Idm-E 1017

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

## EXPLORATION PROJECT CONTRACT[1]

It is agreed this OCT 1 1 1956 day of ....., 195...., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] Seagraves Mining Company, Inc., an Idaho corporation, whose mailing address is 3439 N. E. Sandy Boulevard Portland 13, Oregon, hereinafter called the "Operator," as follows:

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

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

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

(b) The Operator represents and undertakes that:

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

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

(c) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above, and (if the Operator does not hold the legal title) the Consent to Lien of any holder of the legal title

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Lien of owners

(d) The Operator shall preserve and maintain his right, title, and interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. Until the lapse of the time within which the Government may make a certification of discovery or development without any such certification having been made, and after any such certification has been made, the Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof. If the Government makes no certification of discovery or development within the time limited in Article 8, it shall thereafter have no claim against the land or any production therefrom except for any production referred to in Article 8(b)(1).

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of lead and zinc. The work to be performed is described in Exhibit "A." The Operator on or before JUL 15 1957 JUL 15 1957 shall commence the work, and on or before SEP 15 1957 (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall either have completed the work or shall have incurred allowable costs (see Article 6) in a sum not less than the estimated total allowable cost set forth in Exhibit "A."

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

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

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

ARTICLE 5. *Contribution by the Government.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $ 9,960.00 The Government shall contribute 50 percent of the allowable costs as they are incurred in a total sum not in excess of $ 4,980.00 : *Provided,* That until the Operator has rendered to the Government his final report, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last

voucher or vouchers such sums as it sees fit not in excess of 10 percent of the estimated total cost of the work or not in excess of the amount of the Government's contribution to the cost of property which is or may become subject to disposal as provided in Article 9(c), whichever is greater. The Government will make its contribution on the basis of the monthly vouchers referred to in Article 7(b), but all payments by the Government are provisional only, subject to audit, until the account between the Operator and the Government is finally audited and settled. "Costs incurred" mean costs that have been paid or have become due and payable, or that in the opinion of the Government have become an obligation. The Government may make payments directly to independent contractors and suppliers for the account of the Operator rather than to the Operator.

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

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

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

CATEGORY (2)—PERSONAL SERVICES.

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

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

*Subcategory (c)—Labor.*

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

CATEGORY (4)—OPERATING EQUIPMENT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 7. *Reports, accounts, audits.*—(a) *Operator's records.*—The Operator shall keep suitable records and accounts of the work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. If the Government elects to audit said records and accounts relating to the exploration work by certified public accountant, it may do so as a cost of the work to which the Operator shall contribute. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine any pertinent books, documents, papers, and records of the Operator. All of the Operator's vouchers and records and accounts relating thereto and the Government's payments thereof remain subject to adjustment until final audit by the Government. If work under this contract is carried on in conjunction with any other operations, or if labor, supervision, services, materials, supplies, equipment, facilities, or other requirements for carrying on the work are also used in connection with other operations, the costs shall be segregated and accounted for on a basis and by methods and accounts that are satisfactory to and approved by the Government.

(b) *Progress reports and vouchers.*—The Operator shall provide the Government with five copies of monthly progress reports in three sections as follows: (1) Operator's Monthly Report and Voucher showing detailed costs incurred during the reporting period; (2) Operator's Unit Cost and Progress Report showing the various types of work performed during the reporting period and costs incurred for each type of work; and (3) a Narrative Report of the work performed during the reporting period including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground. (Forms for reporting under (1) and (2) above will be provided by the Government.)

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

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

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

ARTICLE 8. *Repayment by Operator.*—(a) *Certification.*—If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after a sufficient final report and final account (see Article 7) has been rendered, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

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

(c) *Basis for computation.*—The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f. o. b. point); *except,* that charges of *the buyer* arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by *the buyer,* sampling and assaying to determine the value of the production sold, and freight paid by *the buyer* to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling or assaying, or transportation, performed or paid by the Operator or by anyone other than the buyer, are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent) applied to the crude ore or other production after it is extracted from the ground, to put it into a commercially marketable form; excluding fabricating or manufacturing.

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

(e) *Percentages of royalty.*—The percentages of the Government's royalty shall be as follows:

One and one-half (1½) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half (½)

percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.

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

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

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

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

(i) *No obligation to produce.*—Nothing in this contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(j) *Government not obligated to buy.*—Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals mined or produced from the land.

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

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

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

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

date such property was purchased under this contract to the termination of said 90-day period; and such property shall thereupon be considered and accounted for as having been purchased by the Operator at the valuation so fixed by the Government; or (2) the Government may enter and take possession of such property wherever it may be found, and remove and dispose of it for the joint account of the parties. See Article 13.

ARTICLE 10. *Termination of the Government's obligations.*—(a) If in the opinion of the Government operations at any time have failed to achieve anticipated results that indicate the probability of making a worthwhile discovery, and in the opinion of the Government further operations are not justified, the Government may give the Operator written notice thereof, and thereupon: (1) the Government shall be free of all obligation to contribute to costs not then incurred other than such as may be allowable under the provisions of the contract as necessary and incidental to winding up, reporting, and accounting; and (2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting.

(b) If in the opinion of the Government the Operator is in any manner in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon: (1) the Government shall be relieved of all obligation to contribute to costs not incurred when the notice was given, other than such as may be allowable by the provisions of the contract as necessary and incidental to winding up, reporting, and accounting; and (2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting. The remedy provided for the Government in this paragraph "(b)" is in addition to any other remedy provided in this contract, and in addition to any other remedy the law may provide for breach of contract.

(c) The giving of any notice by the Government under the provisions of this Article 10 shall not affect the Government's rights as provided for in the contract with respect to a percentage royalty, and such rights shall be fully preserved.

ARTICLE 11. *Notices to be given by the Government* may be delivered to the Operator, or may be sent by registered mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 12. *Officials not to benefit.*—No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE 13. *Changes and added provisions.*—
Upon completion of the work or termination of the contract the provisions of Article 9 shall not apply to the Operating Materials and Supplies scheduled in Exhibit "A".

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. Mittendorf
Administrator, Defense Minerals
Exploration Administration

SEAGRAVES MINING COMPANY, INC.
(Operator)

By V. D. Warner, Secretary

12/11/52

I, V. D. WARNER, certify that I am the secretary of the corporation named as Operator herein; that I who signed this contract on behalf of the Operator, was then Secretary 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.

V. D. Warner

[ CORPORATE SEAL ]

U. S. GOVERNMENT PRINTING OFFICE 16—70617-1

RECEIVED
DEC 18 1956
D.M.E.A.

EXPLORATION PROJECT CONTRACT
SEAGRAVES MINING COMPANY, INC.
DOCKET NO. DMEA-4007

ANNEX I

The land referred to in Article 2 consists of six unpatented lode mining claims situated in the Seafoam Mining District, Custer County, Idaho.

Notices of Location of said claims are recorded at the Custer County Courthouse, Challis, Idaho, as follows:

| Claims | Book No. | Page |
|---|---|---|
| Silver King No. 1 | 12 | 548 |
| Silver King No. 2 | 12 | 549 |
| Silver King No. 3 | 12 | 550 |
| Silver King No. 4 | 12 | 551 |
| Lone Star (Star) No. 1 | 12 | 366 |
| Lone Star (Star) No. 2 | 12 | 366 |

The claims are shown on the attached map entitled "Geologic Map of the Lone Star Workings, Seagraves Mining Co., Seafoam Mining District, Custer County, Idaho."

MF-203
Revised March 24, 1955

RECEIVED
OCT 6 - 1955

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator Seagraves Mining Company, Inc.
Docket No. DMEA- 4007
Contract No. Idm-E 1017
Contract Date OCT 11 1956

# CONSENT TO LIEN

To the United States of America:

Referring to that certain land in the County of Custer, State of Idaho, described as follows:1/

6 mining claim locations in the Seafoam Mining District located in the northwestern portion of Custer County Idaho, centered in township 14 N, Range 11 E Boise Meridan( See attached report page 3 & maps)
Silver King Claims #1, 2, 3 & 4 recorded Book 12, Pages 548,549,550 & 551.
Star & Star # 1 Claims recorded Book 12, Page 366.

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom to secure the payment to the Government of a percentage royalty on production as may be provided for by the contract;2/ and represents and undertakes that there are no claims, liens, or encumbrances upon the undersigned's right, title, or interest in the land prior to that hereby granted to the Government other than the following:3/

None

3. Undertakes and agrees neither to commit any act nor assert any claim in conflict with the provisions of this Consent to Lien; and to give advance notice of the Government's rights under this Consent to Lien to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, or interest in the land; and

1/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease [or contract, deed, or other document] dated _____, and recorded in book _____ page _____ official records of said county." If (b) is used, the book and page of recordation cannot be dispensed with. If the space provided is insufficient, use an Annex, and refer to the Annex in the space.

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

3/ Write "none" if that is the case. Do not leave lines blank.

4. Consents to all amendments and assignments of the contract without notice thereof, and agrees that this Consent to Lien shall extend and apply thereto.

5. Added provision: None

Dated this 29th day of September, 1955.

Paul Sugasa [Seal] Mary Sugasa [Seal] W. T. Harmon
W.T. Harmon, Pres. of Seagraves Mining Co Inc

James Seagraves [Seal] Emogean Seagraves [Seal]

Isrel Seagraves [Seal]

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

V. D. Warner [Corporate Seal]

NOTE: Paul Sugasa, Mary Sugasa, James Seagraves, Emogean Seagraves and Isrel Seagraves have signed this agreement as partners in ownership of the subject claims. W.T. Harmon, President, has signed the agreement for Seagraves Mining Co, Inc. which Company is requesting the loan and which Company is the Lessee of the subject claims with option to purchase.

EXPLORATION PROJECT CONTRACT
SEAGRAVES MINING COMPANY, INC.
DOCKET NO. DMEA-4007

EXHIBIT "A"

Description of the Work

The purpose of the project is to explore for ores of lead and zinc by diamond core drilling, EX size or larger, not more than three holes aggregating not to exceed 1,000 feet. Holes shall be cemented and redrilled as necessary.

The locations, directions, inclinations, and depths of all holes are subject to prior approval of the Government. The approximate hole locations are shown on the attached geologic map.

All drill holes shall be logged, and all drill core shall be made available to the Government for examination. All significantly mineralized core shall be properly assayed for gold, silver, lead, and zinc. All assays, together with proper logs of drill holes, shall be reported to the Government, together with proper plan maps and sections showing the progress of the work.

Estimated Cost of the Work
(In addition to the maximums set forth in the Contract form an asterisk indicates maximum.)

Category (1) Independent Contracts

| | | | |
|---|---|---|---|
| 1,000 feet of diamond drilling | @ $5.75/ft. | $5,750.00 | |
| Cementing and redrilling, 100 feet | @ $2.65/ft. | 265.00 | |
| Moving of drilling equipment off and on project site @ $100.00/each move | | 200.00 | $6,215.00 |

Category (2) Personal Services

Subcategories (a) and (b) Supervision and Technical Services

| | | |
|---|---|---|
| 1 | Supervisor, foreman, mechanic, 2 months @ $500.00/mo. | $1,000.00 |
| 1 | Engineering-geological consultant, 8 days @ $50.00/da. | 400.00 |

| | | |
|---|---|---|
| Subcategory (c) Labor | | |
| 1 Diamond drill helper, 50 days @ $16.00/da. | $ 800.00 | $2,200.00 |
| Category (3) Operating Materials and Supplies x/ | | |
| 250 feet of two-inch pipe @ $0.45/ft. | $ 56.25* | |
| 250 feet of one-inch pipe @ $0.21/ft. | 26.25* | |
| Water tank and fittings | 50.00* | |
| Core and sludge boxes | 150.00* | |
| 1,250 gallons Diesel fuel @ $0.21/gal. | 262.50 | |
| Lubricants | 40.00 | 585.00* |
| Category (4) Operating Equipment | | |
| Subcategory (a) Rental | | |
| 1 Pickup truck, 50 days @ $10.00/da. | $ 500.00 | |
| Subcategory (b) Purchases None | | |
| Subcategory (c) Depreciation | | |
| 1 445 CFM air compressor, 2 months @ $133.34/mo. | 266.68 | |
| 1 Air receiver, pipe and fittings, 2 months @ $9.50/mo. | 19.00 | 785.68 |
| Category (5) Initial Rehabilitation and Repairs None | | |
| Category (6) New Buildings, Fixtures, and Installations None | | |
| Category (7) Miscellaneous | | |
| Unemployment compensation, insurance, etc. | $ 129.32 | |

x/ The Government will contribute to not more than one-half the estimated costs of the scheduled Operating Materials and Supplies, other than fuel and lubricants, and upon completion of the work or termination of the contract shall have no interest in any salable or salvageable material.

| | | |
|---|---|---|
| 10 Samples assayed @ $4.50/sample | $ 45.00 | $ 174.32 |
| Estimated Total Cost of Project | | $9,960.00 |
| Government Participation @ 50% | | $4,980.00 |

Contract No. Idm-E 1017

Docket No. 4007

DEPARTMENT OF THE INTERIOR

Approved contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

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

| Date of Contract | Region | State | Commodity |
|---|---|---|---|
| October 11, 1956 | I NW | Idaho | Lead-Zinc |

Name and Address of Operator: Seagraves Mining Company
3439 N. E. Sandy Boulevard
Portland 13, Oregon

| | Reserve | Obligation |
|---|---|---|
| Prior Amount | 0 | 0 |
| Increase | $4,980.00 | 0 |
| Decrease | 0 | 0 |
| Revised Amount | $4,980.00 | 0 |

Remarks:

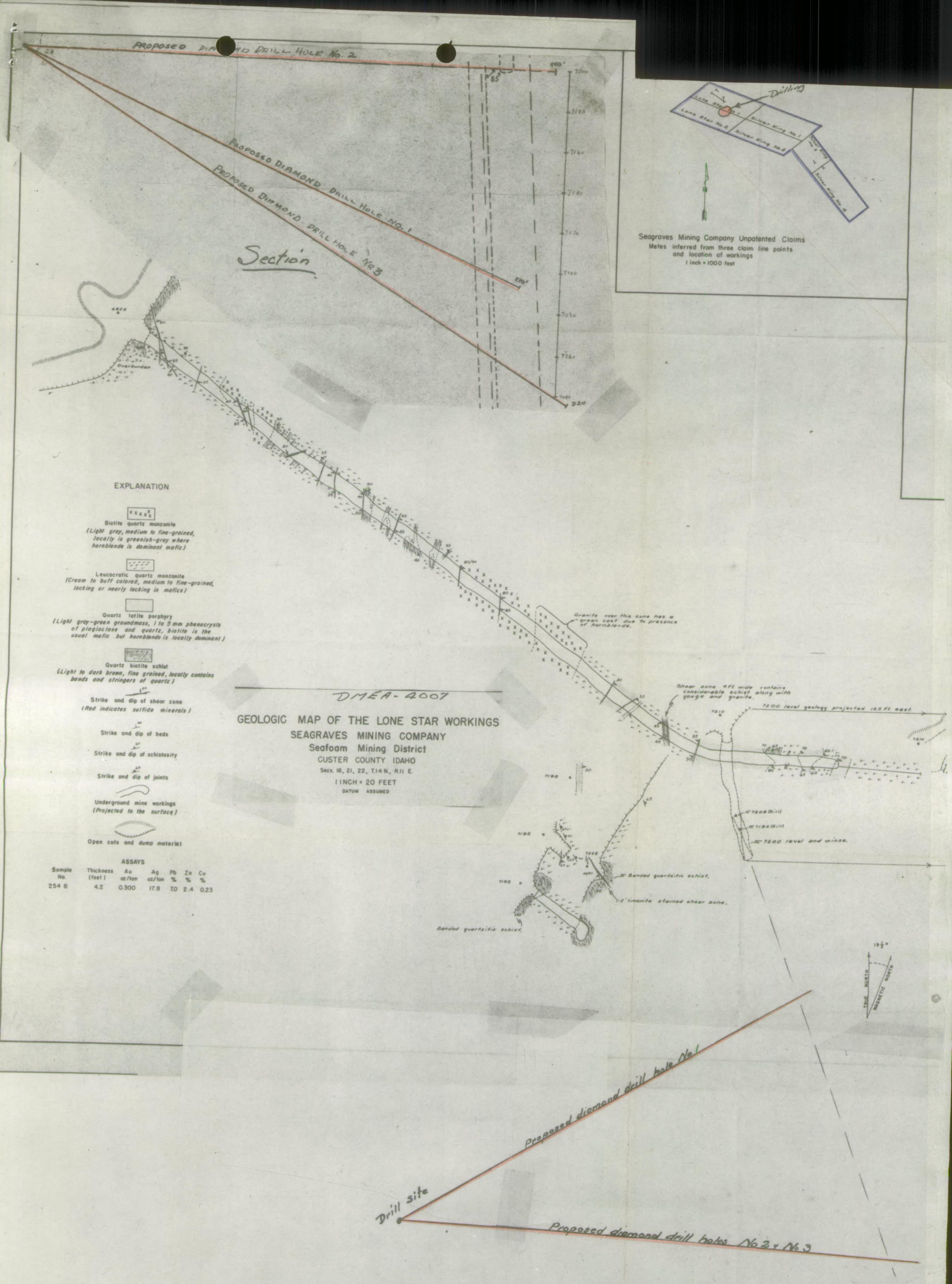
(Name)

Allen S. Dakan, Chief
Operations Control and
Statistics Division

(Title)

Date Delivered to Bureau of Mines, Washington 10.11.56

98963


PROPOSED DIAMOND DRILL HOLE No. 2
PROPOSED DIAMOND DRILL HOLE NO. 1
PROPOSED DIAMOND DRILL HOLE No 3
Section
Drilling
Lone Star No. 1
Lone Star No. 2
Silver King No. 1
Silver King No. 2
Silver King No. 3
Silver King No. 4
Seagraves Mining Company Unpatented Claims
Metes inferred from three claim line points
and location of workings
1 inch = 1000 feet
Overburden
Granite over this zone has a green cast due to presence of hornblende.
Shear zone 4 ft wide contains considerable schist along with gouge and granite.
7200 level geology projected 125 ft east
7200 level and winze.
Banded quartzitic schist.
1-2' limonite stained shear zone.
Banded quartzitic schist.
EXPLANATION
Biotite quartz monzonite
(Light gray, medium to fine-grained, locally is greenish-gray where hornblende is dominant mafic)
Leucocratic quartz monzonite
(Cream to buff colored, medium to fine-grained, lacking or nearly lacking in mafics)
Quartz latite porphyry
(Light gray-green groundmass, 1 to 5 mm phenocrysts of plagioclase and quartz, biotite is the usual mafic but hornblende is locally dominant)
Quartz biotite schist
(Light to dark brown, fine grained, locally contains bands and stringers of quartz)
Strike and dip of shear zone
(Red indicates sulfide minerals)
Strike and dip of beds
Strike and dip of schistosity
Strike and dip of joints
Underground mine workings
(Projected to the surface)
Open cuts and dump material
ASSAYS
Sample No. | Thickness (feet) | Au oz/ton | Ag oz/ton | Pb % | Zn % | Cu %
254 8 | 4.2 | 0.300 | 17.8 | 7.0 | 2.4 | 0.23
DMEA-4007
GEOLOGIC MAP OF THE LONE STAR WORKINGS
SEAGRAVES MINING COMPANY
Seafoam Mining District
CUSTER COUNTY IDAHO
Secs. 16, 21, 22, T.14 N., R.11 E.
1 INCH = 20 FEET
DATUM ASSUMED
TRUE NORTH
MAGNETIC NORTH
Proposed diamond drill hole No 1
Drill site
Proposed diamond drill holes No 2 + No 3

RECEIVED
DEC 18 1956
D.M.E.A.