MME Form 9
Rev. Mar. 59

UNITED STATES
DEPARTMENT OF THE INTERIOR
Office of Minerals Exploration

DMEA-4659

OFFICIAL DOCKET FILE

Contract No. ~~xxxxx~~ Idm-E1108 Docket No. ~~xxxx~~

Application
- [ ] Denied
- [ ] Withdrawn

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

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

Folder No. 1:

Left Side

- [X] Royalty Audits 3/14/61, 6/6/61, 5/29/62, 5/2/63, 5/4/64, 6/10/65, June 1966,
- [xx] Certification of Discovery
- [ ] ~~Closing Letter~~
- [x] Cost Audits
- [xx] Termination Notice or Agreement
- [ ] ~~Revision Notice~~
- [ ] Assignment of Contract
- [xx] Contract Amendments
- [xx] Contract with all exhibits and annexes
- [xx] Owner's Consent to Lien and Subordination Agreement
- [xx] Application and Attachments

Toll arrangement
Annex I of contract, Pseudo =cert. in Am. #2
Report of Review 9/15/60
Am. #2, 7/19/60

Right Side

- [ ] Project Summary (final)
- [x] Work Completed Analysis (final) 10-12-60
- All other material filed in chronological order including the following reports if checked:
- [ ] Field Team Semiannual Report for Certified Project
- [x] Final Field Team Report (Tab) Dec. 1960
- [x] Operator's Final Report (Tab) 9-2-60
- [ ] Interim Field Team Reports
- [ ] Operator's monthly reports and all attachments
- [x] On-site Exam. Report (Tab) 5-7-57
- [ ] Settlement Sheets
- [ ] Drill Logs

Additional Folders:

Left Side

Folders No. 2 : Reports
- [ ] Analysis of Semiannual Inspection Reports
- [ ] Project Summary (Interim) by MME Engineers

MF-104's-----

Right Side

- [ ] Field Team Semiannual 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. 3 : Settlement Sheets and Reports on Certified Projects

Folders No. _____ : Drill Logs

Folders No. _____ : Royalty Material

52615

Docket copy

United States
Department of the Interior

GEOLOGICAL SURVEY

OFFICE OF THE CHIEF AUDITOR

GEOLOGIC DIVISION

OFFICE OF MINERALS EXPLORATION

WASHINGTON, D.C.

Report of Royalty Audit - Contract Idm-E1108
Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Report Issued: June 1966

United States
Department of the Interior

GEOLOGICAL SURVEY

OFFICE OF THE CHIEF AUDITOR

GEOLOGIC DIVISION

OFFICE OF MINERALS EXPLORATION

WASHINGTON, D.C.

Report of Royalty Audit - Contract Idm-E1108
Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Report Issued: June 1966

Auditor-in-Charge: Clarence E. Fisher

Report Approved: William T. McClelland, Chief Auditor

Audit Performed During Period: April 18 to May 8, 1966

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

OFFICE OF THE DIRECTOR

June 9, 1966

Memorandum

To: Director

From: Chief Auditor

Subject: Royalty Audit of Contract Idm-E1108
Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

We have made a royalty audit of Contract Idm-E1108 at the Operator's office near Kellogg, Idaho. This audit related to the period March 1965 through January 1966 and included a review of the Operator's methods used in allocating the value of production from Clayton Mine between that not subject to such royalty and the computation of the royalty due and paid. Also a reconciliation was made with the records of the OME offices in Washington, D.C., and Spokane, Washington, and with deposits of royalty received by the Branch of Budget and Finance.

Previous audits by OME covered royalty receipts for the period from the date of the contract, July 19, 1957, through February 1965. The present audit extends the period covered by audit through January 1966.

We find that the royalty paid amounting to $10,829.04 applicable to production sold during the period covered by the present audit was proper and in accordance with the contract provisions, and that the total royalty receipts from the date of the contract through January 1966 amount to $50,963.55.

William T. McClelland

William T. McClelland

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REPORT OF ROYALTY AUDIT - CONTRACT Idm-E1108
DOCKET NO. DMEA-4659 (LEAD-ZINC)
CLAYTON SILVER MINES
CLAYTON MINE
CUSTER COUNTY, IDAHO

INTRODUCTION

By memorandum dated April 18, 1966, the Chief, Office of Minerals Exploration (OME), Geologic Division, requested an on-site royalty audit of Contract Idm-E1108. The audit was authorized by the Chief Auditor on April 18, 1966, under Audit Assignment No. 70. The on-site audit was performed on May 2, 1966, at the Operator's office near Kellogg, Idaho.

Previous audits by OME have established the amounts of royalty due and paid through February 1965. The present audit extends the period covered by audit through January 1966. Mining operations are continuing, however, sufficient data were not available to extend the period of this audit beyond the latter date.

The production and sales records pertaining to this mine are maintained by Norman M. Smith, the Operator's general manager, in his office on Sunshine Star Route, Kellogg, Idaho, and were freely available for the purpose of this audit.

In accordance with Article 6, Annex I, and Amendment No. 2 of the contract, royalty is payable by the Operator, as principal if the producer or as surety if not the producer, on all minerals produced from the land described in Article 2 of the contract and on any minerals transported through any workings driven under the contract, for a period of 11 years from the date of the contract, July 19, 1957, or until the total net amount

contributed by the Government without interest is fully repaid, whichever occurs first. A Report of Review in lieu of final cost audit dated September 15, 1960, indicated accepted costs under the exploration contract amounting to $129,260.40 with the Government's contribution, on a 50 percent basis, being $64,630.20.

The land referred to in Article 2 of this contract consists of 5 patented mining claims in T. 11 N., R. 17 E., B.M., namely, Camp Bird, Camp Bird No. 2, Camp Bird No. 4, Discovery No. 1, and Discovery No. 3, excluding ore bodies above the sill of the 500 level known to exist on the date of the contract.

This Operator has recently completed an exploration program for silver under Contract 14-23-090-2177, Docket OME-6324, dated December 2, 1963. The land subject to this OME contract consists of 6 patented mining claims, namely, Camp Bird Nos. 2, 3, and 4, Galena Nos. 5 and 6, and Discovery No. 3, excluding known ore shoots lying above the 800 level of the Clayton Mine. Mr. Smith advised that there has not been any production to date which would be subject to royalty under this OME contract.

SCOPE OF THE AUDIT

A considerable amount of preaudit work was accomplished in the OME offices, Washington, D.C., and Spokane, Washington, prior to the field audit. During this preaudit work a tabulation of royalty paid by the Operator was prepared from copies of monthly statements furnished by the Operator in support of royalty payments. All of the data included in the statement was confirmed and verified with records of deposits. It was also verified with the Operator's underlying records during the on-site audit.

The objective of this examination was to determine whether acceptable methods were employed in determining the value of production on which the Government is entitled to royalty and if proper royalty has been paid.

AUDIT FINDINGS

The following is a brief summary of our findings pertaining to total production and sales; portions thereof subject to Government royalty; and royalty paid applicable to the period covered by this audit and for the period July 19, 1957 through January 1966.

	This Period	July 19, 1957 through January 1966
Ore Mined:		
Below 500 level, tons	24,765	105,314
Other, tons	1,561	71,435
Concentrates Sold:		
Short wet tons	1,095.10	9,770.07
Short dry tons	997.27	9,155.76
Gross Smelter Value	$257,824.28	$1,761,924.81
Less: Hauling	17,521.61	157,433.57
Sampling, etc.	320.47	2,353.59
Smelter returns	$239,982.20	$1,602,137.65
Stabilization payments	-0-	65,189.96
Total net proceeds	$239,982.20	$1,667,327.61
Portion subject to royalty	$216,581.01	$1,019,270.99
Royalty paid - 50% basis	$10,829.04	$50,963.55

We find that acceptable methods have been used in determining the value of production subject to Government royalty and that proper royalty has been computed and paid on production through January 1966.

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

ROYALTY AUDIT CERTIFICATE

I have examined the production records and sales documents pertaining to the sale of lead concentrates for the period April 19, 1964, through February 28, 1965, of

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

produced from the Clayton Mine located in Custer County, Idaho, on which royalty is payable to the U. S. Government under terms of Contract Idm-E1108, Docket IMEA-4639 (Lead-Zinc), dated July 19, 1957, as amended.

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

The audit established the total proceeds from concentrates subject to Government royalty during the period April 19, 1964, through February 28, 1965, to be $254,714.90. Royalty due to the Government at the rates specified in the contract is $12,735.75.

A prior audit report dated May 4, 1964, found the sales subject to Government royalty during the period July 19, 1957, through April 18, 1964, to be $547,975.08 which added to the proceeds for the subsequent period make a total of $802,689.98 as of February 28, 1965. The royalty account of this project as of April 18, 1964, was:

Total Royalty Payable	$27,398.76
Total Royalty Paid	27,396.24
Balance of Royalty Due	$ 2.52

As of February 28, 1965, the royalty account of this project was found to be:

Total Royalty Payable	$40,134.51
Total Royalty Paid	40,134.51
Balance of Royalty Due	$ -0-

C. E. Fisher, OME Auditor

June 10, 1965

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

ROYALTY AUDIT REPORT

I. INTRODUCTION

On June 2, 1965, an audit was made of the production, sales, and royalty accounts and records of

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

pertaining to the sale of lead concentrates during the period March 1964 through February 1965, produced from property referred to as Clayton Mine located in Custer County, Idaho, on which royalty is payable to the U. S. Government under the terms of Contract Idm-E1108, Docket DMEA-4659 (Lead-Zinc), dated July 19, 1957, as amended.

The general books of the Operator are maintained by Arthur Riecke, certified public accountant, of the firm of H. F. Magnusson & Co., Scott Building, Wallace, Idaho. The production and sales records are kept by Norman M. Smith, the Operator's general manager, in his office on Sunshine Star Route, Kellogg, Idaho. Mr. Smith made all of his records freely available for the purpose of this audit. Such records were deemed to be adequate and it was not considered necessary to consult the general books nor to visit the mine office during this audit.

II. GENERAL INFORMATION

In accordance with Article 6, Annex I, and Amendment No. 2 of the contract, royalty is payable by the Operator, as principal if the producer or as surety if not the producer, on all minerals produced from the land described in Article 2 of the contract and on any minerals transported through any workings driven under 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. A Report of Review in lieu of final cost audit dated September 15, 1960, indicated accepted costs under the exploration contract amounting to $129,260.40 with the Government's contribution, on a 50 percent basis, being $64,630.20.

The land referred to in Article 2 of this contract consists of 5 patented mining claims in T. 11 N., R. 17 E., B.M., namely, Camp Bird, Camp Bird No. 2, Camp Bird No. 4, Discovery No. 1, and Discovery No. 3, excluding ore bodies above the sill of the 500 level known to exist on the date of the contract.

This Operator is exploring for silver under Contract 14-23-090-2177, Docket OME-6324, dated December 2, 1963. The land subject to this OME contract consists of 6 patented lode mining claims, namely, Camp Bird Nos. 2, 3, and 4, Galena Nos. 5 and 6, and Discovery No. 3, excluding known ore shoots lying above the 800 level of the Clayton Mine. Mr. Smith advised that there has not been any production to date which would be subject to royalty under this OME contract.

This Operator qualified for and received stabilization payments under Public Law 87,347 applicable to production sold during the period January 1962 through July 1963 in the amount of $65,189.96, but was found to be ineligible for stabilization payments on production sold subsequent to July 1963. The stabilization payments were apportioned between production subject to royalty and that not subject to royalty on the same basis as the original smelter returns were allocated.

III. SCOPE OF AUDIT AND FINDINGS

A considerable amount of preaudit work was accomplished in the OME offices, Washington, D. C., and Spokane, Washington, prior to the field audit. During this preaudit work a tabulation of royalty paid by the Operator was prepared from copies of monthly statements furnished by the Operator in support of royalty payments. All of the data included in the statement was confirmed and verified with records of deposits. It was also verified with the Operator's underlying records during the on-site audit. The tabulation is filed as a part of my audit work papers.

This audit disclosed that the manner of record keeping and computing royalty described in my audit report dated July 6, 1961, was continued during the period under review.

The balance of royalty due amounting to $2.52 as shown in my audit report dated May 4, 1964, was paid by the Operator in connection with his regular settlement applicable to March 1964 production.

IV. CONCLUSION

A summary of production, sales, and royalty payable and paid during the period covered by this audit and during the total period of July 19, 1957, through June 2, 1965, follows:

	This Period	To June 2, 1965
Ore Mined:		
Below 500 level, tons	21,499	80,549
Other, tons	2,329	69,874
Concentrates Sold:		
Short wet tons	1,316.32	8,674.97
Short dry tons	1,200.99	8,158.49
Gross Smelter Value	$302,057.60	$1,504,100.53
Less: Hauling	21,061.09	139,911.96
Sampling, etc.	348.45	2,033.12
Smelter returns	$280,648.06	$1,362,155.45
Stabilization payments	-0-	65,189.96
Total net proceeds	$280,648.06	$1,427,345.41
Portion subject to Govt. Royalty	$234,714.90	$ 802,669.98
Royalty payable	$ 12,735.75	$ 40,134.51
Royalty paid	12,735.75	40,134.51
Balance of royalty due	$ -0-	$ -0-

The above summary includes actual proceeds on production through February 1965, the last month for which smelter settlements had been received as of the date of this audit.

The audit has confirmed the accuracy and propriety of the royalty payments received by the Government applicable to proceeds from concentrates sold during the period under review. It has also determined that proceeds during such period have been properly accounted.

C. E. Fisher

C. E. Fisher, OME Auditor

June 10, 1965

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

ROYALTY AUDIT CERTIFICATE

I have examined the production records and sales documents pertaining to the sale of lead concentrates for the period March 27, 1963, through April 18, 1964, of

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

produced from the Clayton Mine located in Custer County, Idaho, on which royalty is payable to the U. S. Government under terms of Contract Idm-E1108, Docket DMEA-4659 (lead-zinc), dated July 19, 1957, as amended.

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

The audit established the total proceeds from concentrates subject to Government royalty during the period March 27, 1963, through April 18, 1964, to be $170,580.88. Royalty due to the Government at the rates specified in the contract is $8,529.05.

A prior audit report dated May 2, 1963, found the sales subject to Government royalty during the period July 19, 1957, through March 26, 1963, to be $377,394.20 which added to the proceeds for the subsequent period make a total of $547,975.08 as of April 18, 1964. The royalty account of this project as of March 26, 1963, was:

Total Royalty Payable	$18,869.71
Total Royalty Paid	18,179.65
Balance of Royalty Due	$ 690.06

As of April 18, 1964, the royalty account of this project was found to be:

Total Royalty Payable	$27,398.76
Total Royalty Paid	27,396.24
Balance of Royalty Due	$ 2.52

C. E. Fisher

C. E. Fisher, OME Auditor

May 4, 1964

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

ROYALTY AUDIT REPORT

I. INTRODUCTION

On April 18, 1964, an audit was made of the production, sales, and royalty accounts and records of

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

pertaining to the sale of lead concentrates during the period March 27, 1963, through April 18, 1964, produced from property referred to as Clayton Mine located in Custer County, Idaho, on which royalty is payable to the U. S. Government under the terms of Contract Idm-E1108, Docket DMEA-4659 (lead-zinc), dated July 19, 1957, as amended.

The general books of the Operator are maintained by Arthur Riecke, certified public accountant, of the firm of H. F. Magnusson & Co., Scott Building, Wallace, Idaho. The production and sales records are kept by Norman M. Smith, the Operator's general manager, in his office on Sunshine Star Route, Kellogg, Idaho. Mr. Smith made all of his records freely available for the purpose of this audit. Such records were deemed to be adequate and it was not considered necessary to consult the general books nor to visit the mine office during this audit.

II. GENERAL INFORMATION

In accordance with Article 6, Annex I, and Amendment No. 2 of the contract, royalty is payable by the Operator, as principal if the producer or as surety if not the producer, on all minerals produced from the land described in Article 2 of the contract and on any minerals transported through any workings driven under 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. A Report of Review in lieu of final cost audit dated September 15, 1960, indicated accepted costs under the exploration contract amounting to $129,260.40 with the Government's contribution, on a 50 percent basis, being $64,630.20.

The land referred to in Article 2 of this contract consists of 5 patented mining claims in T. 11 N., R. 17 E., B.M., namely, Camp Bird, Camp Bird No. 2, Camp Bird No. 4, Discovery No. 1, and Discovery No. 3, excluding ore bodies above the sill of the 500 level known to exist on the date of the contract.

This Operator is exploring for silver under Contract 14-23-090-2177, Docket OME-6324, dated December 2, 1963. The land subject to this OME contract consists of 6 patented lode mining claims, namely, Camp Bird Nos. 2, 3, and 4, Galena Nos. 5 and 6, and Discovery No. 3, excluding known ore shoots lying above the 800 level of the Clayton Mine. Mr. Smith advised that there has not been any production to date which would be subject to royalty under this OME contract.

This Operator qualified for and received stabilization payments under Public Law 87-347 applicable to production sold during the period January 1962 through July 1963 in the amount of $65,189.96, but was found to be ineligible for stabilization payments on production sold subsequent to July 1963. The stabilization payments were apportioned between production subject to royalty and that not subject to royalty on the same basis as the original smelter returns were allocated.

III. SCOPE OF AUDIT AND FINDINGS

A considerable amount of preaudit work was accomplished in the OME office, Washington, D. C., prior to the field audit. During this preaudit work a tabulation of royalty paid by the Operator was prepared from copies of monthly statements, including statement of stabilization payments, furnished by the Operator in support of royalty payments. All of the data included in the statement was confirmed and verified with records of deposits. It was also verified with the Operator's underlying records during the on-site audit. The tabulation is filed as a part of my audit work papers.

This audit disclosed that the manner of record keeping and computing royalty described in my audit report dated June 6, 1961, was continued during the period under review.

The audit disclosed the underpayment of royalty in the amount of $2.52 applicable to mine lot No. 904 sold to the East Helena Plant of American Smelting & Refining Co. covering production in September and October 1963 as follows:

	Reported			Should be			Diff.
Mo.	Proceeds	DMEA %	DMEA Amt.	Proceeds	DMEA %	DMEA Amt.	DMEA
9/63	$ 7,980.33	59.220	$4,725.95	$ 8,046.97	59.220	$4,765.42	$39.47
10/63	2,918.49	45.224	1,319.86	2,942.85	45.224	1,330.87	11.01
Total	$10,898.82		$6,045.81	$10,989.82		$6,096.29	$50.48
				Additional royalty due at 5%			$ 2.52

IV. CONCLUSION

A summary of production, sales, and royalty payable and paid during the period covered by this audit and during the total period of July 19, 1957, through April 18, 1964, follows:

	This Period	To April 18, 1964
Ore Mined:		
Below 500 level, tons	12,744	59,050
Other, tons	10,113	67,545
Concentrates Sold:		
Short wet tons	1,625.23	7,358.65
Short dry tons	1,419.92	6,757.50
Gross Smelter Value	$315,511.90	$1,136,852.97
Less: Hauling	26,003.68	118,850.87
Sampling, etc.	466.16	1,684.67
Smelter returns	$289,042.06	$1,016,317.43
Stabilization payments	18,181.56	65,189.96
Total net proceeds	$307,223.62	$1,081,507.39
Portion subject to Gov. royalty	$170,580.88	$ 547,975.08
Royalty payable	$ 8,529.05	$ 27,398.76
Royalty paid	8,526.53	27,396.24
Balance of royalty due	$ 2.52	$ 2.52

The above summary includes actual proceeds, including stabilization payments, on production through February 1964, the last month for which smelter settlements had been received as of the date of this audit.

The audit has confirmed the accuracy and propriety of the royalty payments received by the Government applicable to proceeds from concentrates sold during the period under review. It has also determined that proceeds during such period have been properly accounted for except as indicated above.

C. E. Fisher

C. E. Fisher, OME Auditor

May 4, 1964

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

ROYALTY AUDIT CERTIFICATE

I have examined the production records and sales documents pertaining to the sale of lead concentrates for the period March 1, 1962, through March 26, 1963, of

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

produced from the Clayton Mine located in Custer County, Idaho, on which royalty is payable to the U. S. Government under terms of Contract Idm-E1108, Docket DMEA-4659 (lead-zinc), dated July 19, 1957, as amended.

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

The audit established the total proceeds from concentrates subject to Government royalty during the period March 1, 1962, through March 26, 1963, to be $179,117.96. Royalty due to the Government at the rates specified in the contract is $8,955.87.

A prior audit report dated May 29, 1962, found the sales subject to Government royalty during the period July 19, 1957, through February 28, 1962, to be $198,276.24 which added to the proceeds for the subsequent period make a total of $377,394.20 as of March 26, 1963. The royalty account of this project as of February 28, 1962, was:

Total Royalty Payable	$ 9,913.84
Total Royalty Paid	9,913.84
Balance of Royalty Due	$ -0-

As of March 26, 1963, the royalty account of this project was found to be:

Total Royalty Payable	$18,869.71
Total Royalty Paid	18,179.65
Balance of Royalty Due	$ 690.06

C. E. Fisher

C. E. Fisher, OME Auditor

MAY 2 1963

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

ROYALTY AUDIT REPORT

I. INTRODUCTION

On April 18, 1963, an audit was made of the production, sales, and royalty accounts and records of

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

pertaining to the sale of lead concentrates during the period March 1, 1962, through March 26, 1963, produced from property referred to as Clayton Mine located in Custer County, Idaho, on which royalty is payable to the U. S. Government under the terms of Contract Idm-K1108, Docket DMEA-4659 (lead-zinc), dated July 19, 1957, as amended.

The general books of the Operator are maintained by Arthur Riecke, certified public accountant, of the firm of H. F. Magnusson & Co., Scott Building, Wallace, Idaho. The production and sales records are kept by Norman M. Smith, the Operator's general manager, in his office on Sunshine Star Route, Kellogg, Idaho. Mr. Smith made all of his records freely available for the purpose of this audit. Such records were deemed to be adequate and it was not considered necessary to consult the general books nor to visit the mine office during this audit.

II. GENERAL INFORMATION

In accordance with Article 6, Annex I, and Amendment No. 2 of the contract, royalty is payable by the Operator, as principal if the producer or as surety if not the producer, on all minerals produced from the land described in Article 2 of the contract, except portions of ore bodies above the 500 level known to exist on the date of the contract, and on any minerals transported through any workings driven under 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. A Report of Review in lieu of final cost audit dated September 15, 1960, indicated accepted costs under the exploration contract amounting to $129,260.40 with the Government's contribution, on a 50 percent basis, being $64,630.20.

This Operator has qualified for stabilization payments under Public Law 87-347 and such payments have been received from the General

Services Administration applicable to production sold during the period January 1962 through January 1963. Claim has been filed with GSA for the amount of stabilization computed by the Operator as due for production during February 1963. Settlement had not been received at the time of this audit. These stabilization payments have been apportioned between production subject to royalty and that not subject to royalty on the same basis as the original smelter returns have been allocated.

III. SCOPE OF AUDIT AND FINDINGS

A considerable amount of preaudit work was accomplished in the OME office, Washington, D. C., prior to the field audit. During this preaudit work a tabulation of royalty paid by the Operator was prepared from copies of monthly statements, including statement of stabilization payments, furnished by the Operator in support of royalty payments. All of the data included in the statement was confirmed and verified with records of deposits. It was also verified with the Operator's underlying records during the on-site audit. The tabulation is filed as a part of my audit work papers.

This audit disclosed that the manner of record keeping and computing royalty described in my audit report dated June 6, 1961, was continued during the period under review.

IV. CONCLUSION

A summary of production, sales, and royalty payable and paid during the period covered by this audit and during the total period of July 19, 1957, through February 28, 1963, follows:

	This Period	Total Period
Ore Mined:		
Below 500 level, tons	16,723	46,306
Other, tons	3,989	57,452
Concentrates Sold:		
Short wet tons	1,159.90	5,733.42
Short dry tons	1,064.34	5,337.58
Gross Smelter Value	$191,277.97	$868,349.47
Less: Hauling	18,558.43	92,847.19
Sampling, etc.	258.09	1,218.51
Smelter returns	$172,461.45	$774,283.77
Stabilization payments	48,211.36	48,211.36
Total net proceeds	$220,672.81	$822,495.13

	This Period	Total Period
Portion subject to Government royalty	$179,117.96	$377,394.80
Royalty payable at 5%	$ 8,955.87	$ 18,869.71
Royalty paid	8,265.81	18,179.65
Balance of Royalty Due	$ 690.06	$ 690.06

The above summary includes actual proceeds including stabilization payments on production through January 1963. It also includes estimated proceeds of $7,546.62, including an estimated $911.40 stabilization payment, and estimated royalty of $377.33 on February 1963 production. Subsequent to this audit, but prior to the release of this report, a royalty payment of $312.73 was received for application against the balance of royalty due.

The audit has confirmed the accuracy and propriety of the royalty payments received by the Government applicable to proceeds from concentrates sold during the period under review. It has also determined that proceeds during such period have been properly accounted for.

C. E. Fisher

C. E. Fisher, OME Auditor

MAY 2 1963

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

ROYALTY AUDIT CERTIFICATE

I have examined the production records and sales documents pertaining to the sale of lead concentrates for the period March 1, 1961, through February 28, 1962, by

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

produced from Clayton Mine located in Custer County, Idaho, on which royalty is payable to the U. S. Government under terms of Contract Idm-01108, Docket DMCA-4659 (lead-zinc), dated July 19, 1957, as amended.

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

The audit established the total sales of concentrates subject to Government royalty during the period March 1, 1961, through February 28, 1962, to be $120,453.70. Royalty due to the Government at the rates specified in the contract is $6,022.69.

A prior audit report dated June 6, 1961, found the sales subject to Government royalty during the period July 19, 1957, through February 28, 1961, to be $77,823.14 which added to the sales for the subsequent period make a total of $198,276.84 as of February 28, 1962. The royalty account as of February 28, 1961, was:

Total Royalty Payable	$3,891.15
Total Royalty Paid	3,891.15
Balance of Royalty Due	$ -0-

As of February 28, 1962, the royalty account was found to be:

Total Royalty Payable	$9,913.84
Total Royalty Paid	9,913.84
Balance of Royalty Due	$ -0-

C. E. Fisher

C. E. Fisher, OME Auditor

May 29, 1962

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

ROYALTY AUDIT REPORT

I. INTRODUCTION

On May 4, 1962, an audit was made of the production, sales, and royalty accounts and records of

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

pertaining to the sale of lead concentrates during the period March 1, 1961, through February 28, 1962, produced from property referred to as the Clayton Mine located in Custer County, Idaho, on which royalty is payable to the U. S. Government under the terms of Contract Idm-81108, Docket DMEA-4659 (lead-zinc), dated July 19, 1957, as amended.

The general books of the company are maintained by Arthur Riecke, certified public accountant, of the firm of H. F. Magnusson & Co., Scott Building, Wallace, Idaho, where this audit was performed.

II. GENERAL INFORMATION

In accordance with Article 6, Annex I, and Amendment No. 2 of the contract, royalty is payable by the Operator, as principal if the producer or as surety if not the producer, on all minerals mined or produced from the land described in Article 2 of the contract, except portions of known ore bodies above the 500 level, and on any minerals transported through any workings driven under 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. A Report of Review in lieu of final cost audit dated September 15, 1960, indicated accepted costs under the exploration contract amounting to $129,260.40 with the Government's contribution, on a 50 percent basis, being $64,630.20.

This audit disclosed that the manner of record keeping and computing Government royalty described in my audit report dated June 6, 1961, was continued during the period under review.

III. SCOPE OF AUDIT AND FINDINGS

A considerable amount of preaudit work was accomplished in the OME office, Washington, D. C., prior to the field audit. During this preaudit work a tabulation of royalty paid by the Operator was prepared from copies of monthly statements furnished by the Operator

in support of royalty payments. All of the data included in the statement was confirmed and verified with records of deposits. It was also verified with the Operator's underlying records during the on-site audit. The tabulation is filed as a part of my audit work papers.

IV. CONCLUSION

A summary of production, sales, and royalty payable and paid during the period covered by this audit and during the period July 19, 1957, through February 28, 1962, follows:

	March 1, 1961 through February 28, 1962	July 19, 1957 through February 28, 1962
Ore Mined:		
Below 500 level, tons	19,629	29,583
Other, tons	10,505	53,463
Concentrates Sold:		
Short wet tons	1,462.28	4,573.52
Short dry tons	1,342.04	4,273.24
Gross Smelter Value	$220,027.21	$677,071.50
Less: Hauling	23,396.13	74,288.76
Sampling, etc.	297.82	960.42
Smelter returns	$196,333.26	$601,822.32
Portion subject to Gov't. royalty	$120,453.70	$198,276.84
Royalty payable at 5%	$ 6,022.69	$ 9,913.84
Royalty paid	6,022.69	9,913.84

The audit has confirmed the accuracy and propriety of the royalty payments received by the Government applicable to the sale of concentrates during the period under review. It also has determined that all sales during such period have been properly accounted for.

C. E. Fisher

C. E. Fisher, OME Auditor

May 29, 1962

Municipality
220

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

ROYALTY AUDIT CERTIFICATE

I have examined the production records and sales documents pertaining to the sale of lead concentrates for the period January 1, 1961, through February 28, 1961, by

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

produced from the Clayton Mine, located in Custer County, Idaho, on which royalty is payable to the U. S. Government under terms of Contract Idm-E1108, Docket No. DMEA-4659 (lead-zinc), dated July 19, 1957, as amended.

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

The audit established the total sales of concentrates subject to DMEA royalty during the period January 1, 1961, through February 28, 1961, to be $11,463.54. Royalty due to the Government at the rates specified in the contract is $573.18.

A Report of Royalty Review for the period July 19, 1957, through December 31, 1960, found the sales subject to Government royalty as of the last date to be $66,359.60, which added to the sales for the subsequent period make a total of $77,823.14 as of February 28, 1961. The royalty account as of December 31, 1960, was:

Total Royalty Due	$3,317.97
Total Royalty Paid	3,317.97
Balance of Royalty Due	$ -0-

As of February 28, 1961, the royalty account was found to be:

Total Royalty Due	$3,891.15
Total Royalty Paid	3,891.15
Balance of Royalty Due	$ -0-

C. E. Fisher

C. E. Fisher, OME Auditor

June 6, 1961

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

ROYALTY AUDIT REPORT

I. INTRODUCTION

On May 5, 1961, an audit was made of the production, sales, and royalty accounts and records of

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

pertaining to the sale of lead concentrates during the period January 1, 1961, through February 28, 1961, produced from property referred to as the Clayton Mine located in Custer County, Idaho, on which royalty is payable to the U. S. Government under the terms of Contract Idm-E1108, Docket No. DMEA-4659 (lead-zinc), dated July 19, 1957, as amended.

The Operator's production and sales records were made available for audit by Norman M. Smith, general manager, in his office at the above address. The general books of the company are maintained by Arthur Riecke, certified public accountant, of the firm of H. F. Magnusson & Co., Scott Bldg., Wallace, Idaho. Mr. Riecke also made his records available for inspection.

II. GENERAL INFORMATION

In accordance with Article 6, Annex I, and Amendment No. 2 of the contract, royalty is payable on all minerals mined or produced from the land described in Article 2 of the contract, except portions of known ore bodies above the 500 level, and on any minerals transported through any workings driven under 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. A Report of Review in lieu of final audit dated September 15, 1960, indicated accepted costs under the exploration contract amounting to $129,260.40 with the Government's contribution, on a 50 percent basis, being $64,630.20.

Production from the area subject to Government royalty (below the 500 level) began during July 1959 and is continuing at the time of this audit. Such ore is commingled prior to sampling with ore from above the 500 level, which is not subject to such royalty. After concentration, shipments are made to the East Helena Plant of the American Smelting and Refining Co.

The Operator pays royalty monthly, after receipt of the applicable settlement sheets, on that portion of the gross proceeds that is

the direct proportion of the tons removed each month from below the 500 level to the total tons mined during that month. This procedure, which was proposed by the Operator in a letter dated February 16, 1959, was accepted by the DMEA Field Team, Region I, in a letter dated February 24, 1959.

The audit disclosed that Mr. Smith prepares the monthly statements of production based on reports made to him by the mine superintendent. These reports are sent to Mr. Riecke for the issuance of the checks to the Government and the recording of the disbursements.

Mr. Smith stated that the company does not have facilities for weighing ore. Instead, a skip count is maintained by the hoistman who makes daily reports of the number of skips hoisted from the different areas of the mine. The tonnage of ore is estimated as one and one-half tons for each skip load.

It is this auditor's opinion that the records maintained by Mr. Smith are accurately kept, are reliable, that the Government is getting its fair royalty return, and that the time and expense involved in a trip to the mine for the inspection of the records at that place is not warranted.

III. SCOPE OF AUDIT AND FINDINGS

A. Conference with Acting Field Officer

A conference with D. R. MacLaren, Acting Field Officer, Region I, Spokane, Washington, disclosed the following:

(a) The Operator does not stockpile ore subject to royalty repayment.
(b) Production subject to Government royalty is commingled with exempt production. Allocation of the proceeds from the commingled production is made according to procedure outlined above and is considered to be equitable.
(c) The Operator does not stockpile mine or mill rejects that are considered as having a potential value during the royalty repayment period. However, mill tailings are held in a tailing pond to avoid stream pollution. Such tailings have no foreseeable potential value.
(d) Assay controls in effect are deemed adequate.
(e) The manner of disposing of production gives the Government its fair royalty returns.

(f) Periodic examinations of operations indicate that the Operator is properly reporting his production subject to Government royalty.
(g) The Operator does not buy from or sell to other operators.
(h) The property is currently active.

B. Audit of Settlement Statements

A Report of Royalty Review dated March 14, 1961, covered settlements of royalty made by the Operator for the period July 19, 1957, through December 31, 1960. The results shown in that review were determined subject to verification by site audit of the Operator's accounts and production records. This audit included such verification of that period and extends the period of audit through February 28, 1961.

The audit did not disclose any improprieties requiring adjustment.

IV. CONCLUSION

A summary of production, sales, and royalty due and paid during the period covered by this audit and during the period July 19, 1957, through February 28, 1961, follows:

	January 1, 1961 through February 28, 1961	July 19, 1957 through February 28, 1961
Ore Mined:		
Below 500 level, tons	1,576	9,954
Other tons	3,161	42,958
Concentrates Sold:		
Short wet tons	306.53	3,111.24
Short dry tons	283.38	2,931.34
Gross Smelter Value	$46,252.08	$457,044.29
Less: Hauling	(4,909.21)	(50,892.63)
Sampling, etc.	(63.64)	(662.60)
Smelter returns	$41,279.23	$405,489.06
Portion subject to DM&A royalty	$11,463.54	$ 77,823.14
Royalty due at 5%	$ 573.18	$ 3,891.15
Royalty paid	$ 573.18	$ 3,891.15
Balance of royalty due	$ -0-	$ -0-

The audit has confirmed the accuracy and propriety of the royalty payments received by the regional office applicable to sale of

concentrates during the period July 19, 1957, through February 28, 1961. It also has determined that all indicated sales during such period have been properly accounted for.

Settlements had not been received from the smelter in connection with all shipments during March and April 1961 at the time of this audit. Mr. Smith stated that, as soon as such settlements are received, the Government will be paid royalty in line with the established practice.

C. E. Fisher

C. E. Fisher, ME Auditor

June 6, 1961

MME Form 22
Dec. 60

DEPARTMENT OF THE INTERIOR
Office of Minerals Exploration

CHECK SHEET OF EXAMINING ENGINEER

Operator's Name and Address

Clayton Silver Mines
Scott Building
P. O. Box 890
Wallace, Idaho

Contract No. Idm-E1108 Docket No. DMEA-4659

Prepared by (Signature) D.R. Wyckoff | Date 5/4/61

Yes	No		
	X	1.	(a) Does the Operator stockpile ore subject to royalty repayment?
			(b) If so, is segregation and identification procedure adequate?
X		2.	(a) Does the Operator commingle production subject to DMEA or OME royalties with exempt production?
X			(b) If so, is the allocation of the commingled production equitable?
	X	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?
			(b) If so, are adequate records maintained on such material to protect the Government's interest?
X		4.	Are the assay controls in effect adequate?
X		5.	Does the manner of disposing of production give 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?

8. Current status of property. (Check one).

- [X] Operating.
- [ ] Inactive.
- [ ] Abandoned.

Date of last production if not operating.

Comment on items 1(b), 2(b), 3(b), and 4 to 6, if answer is No:

84861-60

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 No. Idm-E1108, Docket No. DMEA-4659 (lead-zinc), dated July 19, 1957, with

Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

for the purpose of determining the amount of royalty due the U. S. Government on production of minerals from property referred to as the Clayton Mine located in Custer County, Idaho, during the period July 19, 1957, through December 31, 1960.

In accordance with Article 6, Annex I, and Amendment No. 2 of the contract, royalty is payable on all minerals mined or produced from the land described in Article 2 of the contract, except portions of known ore bodies above the 500 level, and on any minerals transported through any workings driven under 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. A Report of Review dated September 15, 1960, indicated accepted costs under the exploration contract amounting to $129,260.40 with the Government's contribution, on a 50 percent basis, being $64,630.20.

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

This review established the total sales of lead concentrates from ore mined during the period from the area subject to royalty to be $66,359.60. Royalty due the Government at rates specified in the contract is $3,317.97. The royalty account of this project as of February 21, 1961, was found to be:

Total Royalty Due	$3,317.97
Total Royalty Paid	3,317.97
Balance of Royalty Due	$ -0-

E. D. Talbert
E. D. Talbert, OME Auditor

March 14, 1961

Idm-E1108 Clayton Silver Mines DMEA-4659

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

Production from the area subject to DMEA royalty began during July 1959. Such ore is commingled prior to sampling with ore from above the 500 level, which is not subject to the DMEA royalty. After concentration, shipments are made to the East Helena Plant of the American Smelting and Refining Co.

The Operator pays royalty monthly, after receipt of the applicable settlement sheets, on that portion of the gross proceeds that is in direct proportion to the tons removed each month from below the 500 level over the total tons mined each month. This procedure, which was proposed by the Operator in a letter dated February 16, 1959, was accepted by the DMEA Field Team, Region I, in a letter dated February 24, 1959.

This review included examination, recomputation, and tabulation of the Operator's monthly statements and the settlement sheets. The tabulations, which are subject to verification by site audit of the Operator's accounts and production records, are filed with my review work-papers.

A summary of the findings, which include the Operator's production through December 1960 and the royalty payment thereon received February 21, 1961, follows:

	Ore Mined	Concentrates Sold Wet	Concentrates Sold Dry
Below 500 level, tons	8,378)		
Other, tons	39,797)	2,804.41	2,647.96
Gross smelter value			$410,792.21
Less: Hauling		$45,983.42	
Sampling, etc.		598.96	46,582.38
Smelter returns			$364,209.83
Portion subject to DMEA royalty			66,359.60
Royalty @ 5%			3,317.97

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

(a) Reports, correspondence, and other documents in the files indicate that all production during the period covered by this review has been reported and proper royalty has been paid; and

(b) 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 additional 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 CLAYTON SILVER MINES

Address Scott Building
P. O. Box 890

Wallace, Idaho

Exploration Contract No. Idm-E1108 Docket No. DMEA-4659 (Pb-Zn)

		Check One Yes	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?	X	
*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.		

*3(a) To avoid stream pollution mill tailings are held in a tailings pond but have no foreseeable potential value. grade?

3/ 7/61
Date

D R MacLaren
~~Mining Engineer~~
D. R. MacLaren
Geologist

53362

File Docket DMEA-4659

CERTIFICATION OF POSSIBLE PRODUCTION
UNDER AN EXPLORATION CONTRACT

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

Re: [illegible]-6394 (Silver)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract 2177

Gentlemen:

Pursuant to Article 7, including paragraph (i) added thereto as set forth in Annex I, of the subject contract, as amended, the Government hereby certifies that mineral or metal production may be possible as a result of the exploration work.

Therefore, royalties shall be paid to the Government as provided in the contract on all production from the land described in the contract from December 2, 1963, to December 2, 1978, or until the amount contributed by the Government is fully repaid with interest at the rate of 6¼ percent per annum, whichever occurs first. The payment of royalties is secured by a lien upon the land and upon any production therefrom.

As is being done presently under Contract No. Idm-X1108, Docket No. DMEA-4699, but on a monthly basis for any lots liquidated by the purchaser in the month, royalty payments computed as provided in the contract should be made in favor of the U. S. Geological Survey and should be mailed or delivered to the Field Officer, Office of Minerals Exploration, U. S. Geological Survey, Region I, South 157 Howard Street,

Spokane, Washington 99204. As heretofore, each payment should be accompanied by two copies of settlement sheets or other suitable sales evidence showing the name of the purchaser, the quantity and grade of the production sold, the price per unit, and the gross proceeds and allowable deductions therefrom.

The Field Officer should be promptly notified upon the commencement of any production, and upon any cessation thereof. Production unsold or unused six months after extraction from the ground should be reported promptly to the Field Officer.

Attention is specifically invited to the provisions of Article 2(e) of the contract referring to the preservation of the Government's royalty rights. Two true copies of any instrument transferring, surrendering, or encumbering any of said rights shall be furnished to the Field Officer.

Dated this 1st day of February, 1966.

THE UNITED STATES OF AMERICA

(signed) FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of Minerals Exploration
U. S. Geological Survey

GCSelfridge/mm/jrg:1/21/66
CC: Director's reading file
Division file
Economic Geology
OME Docket 6324 - also DMEA-4659
XXXX CA&A
Branch of Budget and Finance
OME Reading file
Region I
Mr. Johnson
Mr. Selfridge
120M
Mr. Robert Long, Rm. 6554

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

Clayton Silver Mines
Kellogg, Idaho

pertaining to Exploration Project Contract Idm-81108, DMEA No. 4659, including Amendments Nos. 1 and 2, for July 1957 to July 1960, inclusive, covering a lead-zinc project at the Clayton Mine, Custer County, Idaho.

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

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

> All of the acceptable costs was under a contract provision for contribution by the Government on the basis of fixed unit costs for work performed.

The findings of this review are stated in the following summary and the attached schedule:

Total cost billed by Operator		$129,260.40
Exceptions:		
Prior to this review	$ -0-	
Herewith	-0-	-0-
Acceptable cost		$129,260.40

The contract calls for a 50 percent contribution of the allowable costs by the Government. Therefore, if the project is otherwise accepted as having met the terms of the contract, payments as follows are valid and proper:

Payable on audited claim	$ 64,630.20
Paid to date	62,969.08
Balance due Operator	$ 1,661.12

Id. I. Apr. 9/23/60

E. D. Talbert

September 15, 1960

E. D. Talbert, OMS Auditor

Contract Idm-E1108 Clayton Silver Mines DMEA-4659

Acceptable Costs:

Extension of shaft		300 ft.	@	$149.00	$ 44,700.00
Station, 800 level		3,000 cu.ft.	@	.62	1,860.00
Sump, 800 level		4,000 cu.ft.	@	.62	2,480.00
Loading pockets, 800 level		3,000 cu.ft.	@	.62	1,860.00
Drifts and crosscuts:					
800 DS	35.0 ft.				
800 DSW	136.3 "				
803 XCW	45.0 "				
804 XCW	46.0 "				
813 XCW	75.5 "				
814 XCE	36.0 "				
814 XCW	49.6 "				
800 DN	1,702.6 "	2,126 ft.	@	33.90	72,071.40
Long hole drilling		470 ft.	@	1.00	470.00
Samples assayed		23 ea.	@	3.00	69.00
Engineer-geologist		23 mos.	@	250.00	5,750.00
Total					$129,260.40

Government's copy

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

AMENDMENT NO. 2

It is agreed this 4th day of August, 1959, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and Clayton Silver Mines, an Arizona corporation, hereinafter called the "Operator," that Exploration Project Contract No. Idm-E1108, Docket No. DMEA-4659, dated July 19, 1957, as amended, is further amended as follows:

1. The date fixed in the Contract for completion of the work is extended from July 19, 1959, to July 19, 1960.

2. The maximum period for royalty payments provided for in Article 6(b) of the Contract is increased from 10 years to 11 years from the date of the Contract.

3. Effective July 19, 1960, if the Contract is not completed on or before that date, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer (for example, if the Operator either transfers or fails to retain its interest in the land), shall pay to the Government the royalty on production provided for in the Contract, in the same manner and amount and for the full period provided for in the Contract, as amended, as if certification of discovery or development had been made, such certification being hereby waived by the Operator. In addition, all rights of the Government provided for in the Contract with respect to a certification of discovery or development, and all rights of the Government as to reports (including preservation of the Operator's records), audits, and recovery of any overpayment are preserved.

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 fixed unit cost of any item of work.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By Frank E. Johnson
Acting Director, Office of
Minerals Exploration

App'd. Sol. Off.
J. Lynch
Hoffman
Hogeschen
Kirkwood
Talbot
Selfridge

CLAYTON SILVER MINES

By Norman M. Smith

Title General Manager

GOVERNMENT COPY

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 9 1958
DATE | INITIALS | CODE

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

AMENDMENT NO. 1

It is agreed this 26th day of May, 1958, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Clayton Silver Mines, an Arizona corporation, that Exploration Project Contract No. Idm-E1108, (Docket No. DMEA-4659), dated July 19, 1957, is amended effective as of May 16, 1958, as follows:

In Exhibit "A" under "Description of the Work" Item No. 2 is revised to read as follows:

> "2. Cut the 800 level station at a point approximately 300 feet below the 500 level. The station shall be not less than 10 feet high and in plan shall approximate the dimensions shown on the accompanying sketch, figure 1. The Government will not contribute to the cost of more than 3,000 cubic feet of excavation for this station at a cost of $0.62 per cubic foot. All station excavation in excess of 3,000 cubic feet will be at the Operator's sole expense."

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 fixed unit cost of any item of work.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By A. E. Weissenborn
A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I

CLAYTON SILVER MINES

By Norman M. Smith
Norman M. Smith
General Manager

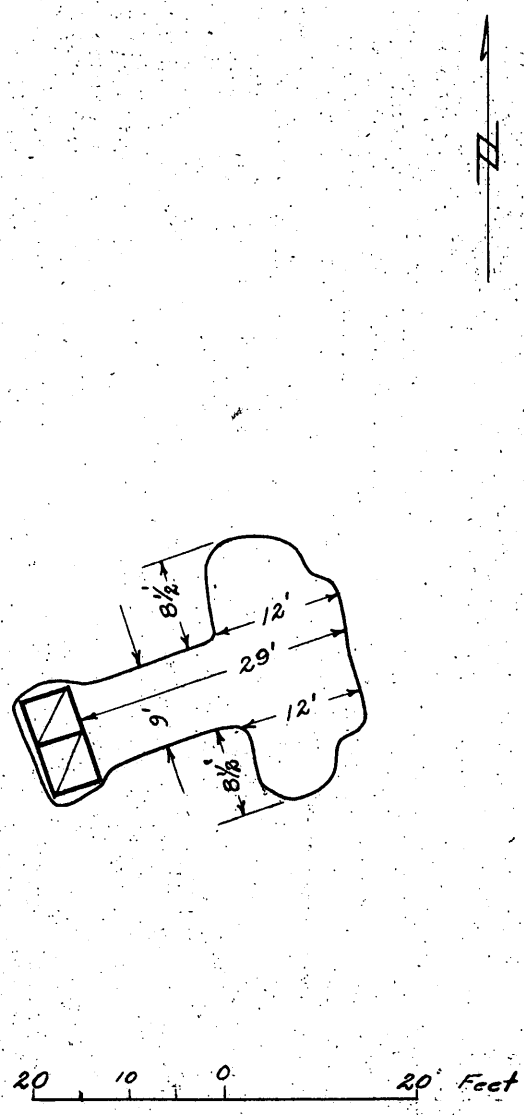


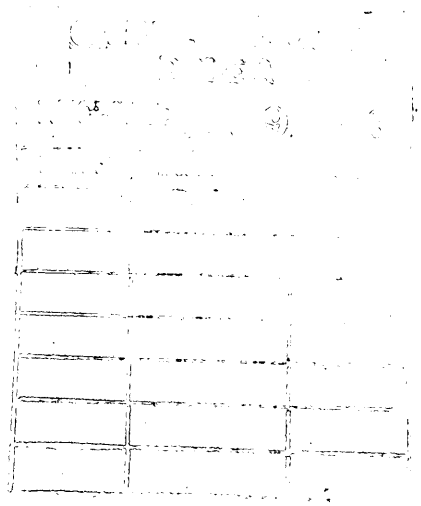
Figure 1 – Sketch showing Station Plan
Clayton Mine – Custer Co., Idaho

To accompany Ammendment No. 1,
Contract Idm. E 1108 Docket DMEA 4659

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

Justification for Amendment No. 1

In a letter dated May 16, 1958, the Operator requested that the specifications for the 800 level station be modified for better operating arrangement. As long as the Government's obligation is limited to 3,000 cubic feet of station excavation at $0.62 per cubic foot and the height of the station is not less than 10 feet, the change in the plan details is acceptable.



Government's Copy

OFFICIAL FILE COPY
DMEA
RECEIVED AUG 5 1958

DATE	INITIALS	CODE

MF-200A
(Rev. April 1956)

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

DMEA No.	*Commodity*	*Contract No. Idm-E*	*County*	*State*
4659	Lead-zinc	**1108**	Custer	Idaho

19 JUL 1957

It is agreed ....., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Clayton Silver Mines, an Arizona Corporation

whose mailing address is Clayton Silver Mines, c/o Norman M. Smith, General Manager, Sunshine Star Route, Kellogg, Idaho
hereinafter called the "Operator," as follows:

ARTICLE 1. *Authority and project.*—(a) This contract is entered into under the authority of the Defense Production Act of 1950, as amended. It consists of this form (MF-200A), the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed therein. The project work is a search for indicated or undeveloped deposits of the commodity designated above. The Operator shall begin the work on or before July 31, 1957, and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within 24 months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the project work is $130,840.00. The Government will contribute 50 percent of the fixed unit cost of the work performed, not exceeding $65,420.00, in accordance with the provisions of Articles 4 and 5.

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

ARTICLE 2. *Operator's property rights.*—(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's rights of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances: None

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Consent to Lien of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached, as follows: None

(c) 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. 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. Two copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. *Performance of the work.*—(a) Operator's responsibility.—The work shall be performed diligently, efficiently, expertly, in a workmanlike manner, and in accordance with good mining standards and State regulations governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work, as specified in Article 1 (a).

(b) *Government may inspect.*—The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract, and also after 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 4. *Contribution by the Government.*—The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5 (b); but all payments by the Government are provisional only, subject to audit, and until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been rendered, the Government may withhold such sums as it sees fit but not in excess of 10 percent of the estimated total cost of the work. To the extent that excesses over fixed unit costs or any excess over the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such excesses for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. *Reports, accounts, audits.*—(a) Operator's records.—The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

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

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

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

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

ARTICLE 6. *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 a sufficient final report (see Article 5), 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 (for example, if the Operator either transfers or fails to retain his interest in the land), 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. See added provision in Annex I.

(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, 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, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

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

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

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to a percentage royalty, and liens to secure the payment thereof, and such rights shall be fully preserved.

ARTICLE 8. *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 the mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. *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 10. *Changes and added provisions.*—

See added provision in Annex I.

Robin
Danger
"Appd. Sol. Off."
Chambers
Martin
Johnson

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C O Mitteudorf
Administrator, Defense Minerals
Exploration Administration

CLAYTON SILVER MINES
(Operator)

By Norman M. Smith
Norman M. Smith
Title General Manager

I, Ray Morrison, certify that I am the secretary of the corporation named as Operator herein; that Norman M. Smith, who signed this contract on behalf of the Operator, was then General Manager 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.

Ray Morrison

[CORPORATE SEAL]

U. S. GOVERNMENT PRINTING OFFICE: 1956—O-383069

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

ANNEX I

The land referred to in Article 2 of the contract consists of the Patented Lode Mining Claims: Camp Bird, Camp Bird No. 2, Camp Bird No. 4, Discovery No. 1, and Discovery No. 3, U. S. Mineral Survey No. 3196 (Patent No. 1,055,371), excluding those portions of all ore bodies within said claims above the sill of the 500 level (elevation at Clayton shaft 5,342.72, Clayton Survey) known to exist on the date of this contract.

The land is shown on the attached property map entitled "Clayton Silver Mines, Clayton, Idaho, Custer County, Idaho, Property Plan Map. Plate 3."

The Operator owns the entire interest in the land.

Special Undertaking Concerning Royalty

Regardless of any certification of discovery or development, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer, shall pay royalty, computed as specified in Article 6 and for the maximum period provided in said Article or in any amendment thereof, on any minerals, wherever mined or produced, that are transported or removed through any workings driven under this contract. However, in no event is royalty payable under this provision on production for which royalty is payable under Article 6(b) (1) or (2).

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DMEA
1957
CODE

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

Exhibit A

Description of the Work

The purpose of the project is to explore for lead-zinc ore by shaft sinking to the 800 level, and drifting north and south to encounter the downward extension of the 500 level ore bodies.

The work is as follows:

Item No.

1. Extend the main vertical shaft 300 feet. It shall be a two-compartment timbered shaft not less than 10 feet 8 inches by 5 feet 8 inches in rock cross section.

2. Cut the 800 level station at a point approximately 300 feet below the 500 level. The size of the station shall be not less than 10 feet high, 15 feet wide and 20 feet long, or approximately 3,000 cubic feet of excavation.

3. On the 800 level, cut a sump. The sump shall be approximately 10 feet deep, 20 feet long, and 20 feet wide, or approximately 4,000 cubic feet of excavation.

4. Below the 800 level, cut two loading pockets having a combined capacity of approximately 3,000 cubic feet.

5. On the 800 level, drift and crosscut for not to exceed an aggregate of 2,150 feet. The size of the drifts shall be 6 feet by 8 feet in cross section in the clear of timber. The location, direction, and extent of the drifts and crosscuts shall have prior approval of the Government.

6. Long hole drill 700 feet to determine the outline and grade of the north ore body and to test other structures that may be found. The location, direction, and extent

of these holes shall have prior approval of the Government.

Sludge samples shall be taken in significantly mineralized sections. The sludge shall be split, and one half thereof properly sampled and assayed. The remaining half of all sludge samples shall be furnished the Government upon request. Assay data shall be reported monthly to the Government.

7. Not to exceed 200 samples shall be assayed for lead, zinc, and silver.

The proposed shaft sinking and drifting is shown on the attached map entitled: "Clayton Silver Mines, Longitudinal Section, Looking Westward. Plate 1."

Fixed Unit Costs

1. Extend main vertical shaft (item 1), 300 feet @ $149.00/ft.	$44,700.00	
2. Cut 800 level station (item 2), 3,000 cubic feet @ $0.62/cu.ft.	1,860.00	
3. Excavate sump on 800 level (item 3), 4,000 cubic feet@$0.62/cu.ft.	2,480.00	
4. Cut two loading pockets (item 4), 3,000 cubic feet, @ $0.62/cu.ft.	1,860.00	
5. Drifting and crosscutting (item 5), 2,150 feet @ $33.90/ft. (rounded)	72,890.00	
6. Long hole drilling (item 6), 700 feet @ $1.00/ft.	700.00	
7. 200 samples assayed for lead, zinc and silver(item 7), @ $3.00/sample	600.00	
8. Engineer-geologist, 23 months @$250.00/mo.	5,750.00	
Estimated Total Cost of the Project		$130,840.00
Government's Participation, 50%		$65,420.00

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

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DATE	INITIALS	CODE

February 26, 1957

Air Mail

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

Re: New application (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Dear Mr. Selfridge:

Enclosed are the original and two copies of an application from Clayton Silver Mines to explore for lead-zinc ore in the Clayton Mine, Bayhorse Mining District, Custer County, Idaho. Only one set of maps (3) accompany the application; it would be appreciated if they could be returned if a referral is made.

In 1954 this company requested a project on the Ella vein about a mile to the west of the main workings of the Clayton Silver Mines but withdrew the application. A field examination had been made prior to the withdrawal, and a report recommending denial was prepared for the files. (See Docket No. DMEA-3227.) 3327 2/28/57

The present application is for the exploration of the Clayton vein itself. It is proposed to explore the downward extent of two known bodies of lead-zinc ore in the Clayton mine by sinking a vertical shaft 300 feet below the 500 level, and drifting 1,500 feet northerly from the shaft on the 800 level, at an estimated cost of $163,534.43, of which the Government's share would be $81,767.21.

The mine has been inmore or less continuous production since 1936, during which time 641,963 tons of ore containing 887 ounces gold, 2,512,666 ounces silver, 43,962,618 pounds lead, 14,327,360 pounds zinc, and 414,153 pounds copper were produced. Although the name of the mine may be misleading, this is definitely a lead-zinc mine.

While the proposed work might be considered as development, the fact remains that there is no assurance that the ore shoots will continue in depth and, therefore, it can be argued that the project is in this sense exploration and could be considered under the DMEA program. We would appreciate your comments on this point if a field referral is made.

Sincerely yours,

A. E. Weissenborn

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

Enclosures

cc: USBM (2)
Geologist

MF-103
(Revised April 1952)

UNITED STATES DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Form Approved.
Budget Bureau No. 42-R1035.2.

RECEIVED FEB 28 1957 D.M.E.A.

APPLICATION FOR AID IN AN EXPLORATION PROJECT, PURSUANT TO DMEA ORDER 1, UNDER THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

Not to be filled in by applicant

Docket No. 4659
Metal or Mineral Lead Zinc
Date Received 2.28.57
Estimated Cost $163,534.43
Participation (Government %)

INSTRUCTIONS

1. *Name of applicant.*—(*a*) State here your full legal name, in the form in which you will wish to contract, and your mailing address: Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Rt.
Kellogg, Idaho

(*b*) If other than an individual, add to your name above whether a corporation, partnership, etc., and the name of the State in which incorporated or otherwise organized.

(*c*) If a corporation, add to above statement, titles, names and addresses of officers.

(*d*) If a partnership, add to the above statement the names and addresses of all partners.

2. *General.*—Read DMEA Order 1, "Government Aid in Defense Exploration Projects," before completing this application. Submit this application and all accompanying papers in quadruplicate (four copies), with your name and address on each sheet of the application and on all accompanying papers. Where sufficient space is not provided on the form for all required information, state it on an accompanying paper, with a reference in each case to the instruction to which it refers by number. Comply with all applicable instructions; or, if not applicable, so state. File the application with Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C., or with the nearest field executive officer thereof.

3. *Applicant's property rights.*—(*a*) State the legal description of the land upon which you wish to explore, including all land which you possess or control that may be benefited by the exploration, and excluding any land or interest in land which is not to be included in the exploration project contract

(*b*) State any mine name by which the property is known.

(*c*) State your interest in the land, whether owner, lessee, purchaser under contract, or otherwise

(*d*) If you are not the owner, submit with this application a copy of the lease, contract, or other document under which you control the property.

(*e*) If you own the land, describe any liens or encumbrances on it

(*f*) If the land consists of unpatented claims, add to the description above, the book and page numbers for each recorded location notice.

4. *Physical description.*—(*a*) Describe in detail any mining or exploration operations which have been or now are being conducted upon the land, including existing mine workings and production facilities. State your interest, if any, in such operations. Also describe accessibility of mine workings for examination purposes.

(*b*) State past and current production, and ore reserves, if any, giving quantities and grades.

(*c*) Describe the geologic features of the property, including mineralization, type of deposit (vein, bedded, etc.), and your reasons for wishing to explore. Illustrate with maps or sketches. Send with your application (but not necessarily as a part of it) any geologic or engineering report, assay maps, or other technologic information you may have, indicating on each whether you require its return to you.

(*d*) State the facts with respect to the accessibility of the project: Access roads, distances to shipping, supply and residence points.

(*e*) State the availability of manpower, materials, supplies, equipment, water, and power.

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FEB 26 1957
U. S. G. S.
SPOKANE, WASH.

16—66551-1

5. *The exploration project.*—(*a*) State the mineral or minerals for which you wish to explore .....

.....

(*b*) Describe fully the proposed work, including a map or sketch of the property showing a plan (and cross sections if needed) of any present mine workings, and the location of the proposed exploration work as related to such features as contacts, veins, ore-bearing beds, etc.

(*c*) The work will start within ..... days and be completed within ..... months from the date of an exploration project contract.

(*d*) State the operating experience and background of the applicant with relation to the ability to carry out such exploration project, and also that of the person or persons who will supervise the operations.

6. *Estimate of costs.*—Furnish a detailed estimate of the costs of the proposed work (you will have to use a separate sheet), under the following headings. Add the totals under all headings to give the estimated total cost of the project:

(*a*) *Independent contracts.*—(Note.—If the applicant does not intend to let any of the work to contractors, write "none" after this item. To the extent that the work is to be contracted, do not repeat the cost of the contract-work in subsequent items.) State the cost of any proposed independent contracts for the performance of all or any part of the work, expressed in terms of units of work (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, per cubic yard of material moved, etc.).

(*b*) *Labor, supervision, consultants.*—Include an itemized schedule of numbers, classes and rates of wages, salaries or fees for necessary labor, supervision and engineering and geological consultants.

(*c*) *Operating materials and supplies.*—Furnish an itemized list, including items of equipment costing less than $50 each, and power, water and fuel.

(*d*) *Operating equipment.*—Furnish an itemized list of any operating equipment to be rented, purchased, or which is owned and will be furnished by the Operator, with the estimated rental, purchase price, or suggested use-allowance based on present value, as the case may be.

(*e*) *Rehabilitation and repairs.*—Furnish a detailed list showing the cost of any necessary initial rehabilitation or repairs of existing buildings, installations, fixtures, and movable operating equipment, now owned by the Operator and which will be devoted to the exploration project.

(*f*) *New buildings, improvements, installations.*—Furnish a detailed list showing the cost of any necessary buildings, fixed improvements, or installations to be purchased, installed or constructed for the benefit of the exploration project.

(*g*) *Miscellaneous.*—Furnish a detailed list showing the cost of 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.

(*h*) *Contingencies.*—Give an estimate of any necessary allowances for contingencies not included in the costs stated above.

NOTE.—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 the contract, should be included in the estimate of costs.

7. (*a*) Are you prepared to furnish your share of the cost of the proposed project in accordance with the regulations on Government participation (Sec. 7, DMEA No. 1)?

(*b*) How do you propose to furnish your share of the costs?

☐ Money ☐ Use of equipment owned by you ☐ Other

Explain in detail on acompanying paper.

CERTIFICATION

The undersigned, whether as an individual, corporate officer, partner, or otherwise, both in his own behalf and acting for the applicant, certifies that the information set forth in this form and accompanying papers is correct and complete, to the best of his knowledge and belief.

Dated February 25, 1957

Clayton Silver Mines
(Applicant)

By Norman M. Smith

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.

U. S. GOVERNMENT PRINTING OFFICE 16—66551-1

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

MF 103

1. (b) A corporation organized under the laws of the State of Arizona.

(c) Officers:

W. M. Yeaman, President
Box 34
Yakima, Washington

Ray Morrison, Secretary
Box 890
Wallace, Idaho

John I. Preissner, Vice President
Masonic Temple
Tacoma, Washington

Norman M. Smith, General Manager
Sunshine Star Route
Kellogg, Idaho

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RECEIVED FEB 28 1957

DATE	INITIALS	CODE

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

MF 103

3. (a) (1) The properties of the Clayton Silver Mines are located in the Bayhorse Mining District along Kinnikinic Creek, Custer County, Idaho in parts of Sections11, 12, 13, 14, 23, 24 and 25; T. 11 N: R. 17 E; Boise Meridian, and consist of the following contiguous groups of lode mining claims:

Ella Group - Mineral Survey No. 3144A (4 claims)

Ella	Climax
Overland	Crown

Camp Bird Group - Mineral Survey No. 3196 (25 claims)

Camp Bird	Galena No. 2 Fraction
Camp Bird No. 2	Galena No. 3
Camp Bird No. 3	Galena No. 4
Camp Bird No. 4	Galena No. 5
Camp Bird No. 5	Galena No. 6
Nancy Lee	Discovery No. 1
Lily No. 2	Discovery No. 2
Rose	Discovery No. 3
Rose No. 1	"A"
Rose No. 2	"B"
Rose No. 3	"C"
Galena No. 1	"D"
Galena No. 2	

Rose Group - Mineral Survey No. 3327 (6 claims)

Rose No. 5	Rose No. 8
Rose No. 6	Rose No. 9
Rose No. 7	Rose No. 10

Rose No. 4 Lode Claim - Mineral Survey No. 3336 (1 claim)

EXHIBIT "A" Property Map, 1" = 300'

3. (a) (2) Area to be explored and benefitted by the exploration and to be included in the exploration project contract:

Camp Bird, Camp Bird No. 2, Camp Bird No. 3, Camp Bird No. 4, Discovery No. 1, and Discovery No. 3 lode mining claims U. S. Mineral Survey No. 3196; excluding all that portion of said claims above the sill of the 500 level, (elevation at Clayton shaft 5,342.72 Clayton Surveys).

3. (a) (3) Area to be excluded and not to be included in the exploration contract:

All remaining claims in Mineral Survey Nos. 3196, 3327, 3336 and 3144A and B and that area above 500-level sill (Elv. 5,342.72).

3. (b) Clayton Mine

(c) Owner

(e) No liens nor incumbrances

(f) Work to be on patented claims (Pat. No. 1,055,371)

4. (a) The main workings of the Clayton Mine are located in the Camp Bird, Camp Bird No. 2 and Camp Bird No. 4 lode claims and consist chiefly of a 630-foot, two compartment vertical shaft and five working levels. The mine is fully equipped with modern mining machinery for efficient operations.

The surface plant is sufficient to completely accommodate efficient exploitation of the deposit as now known. The flotation mill has a capacity of 100 tons daily and is now operating 7 days a week.

Power is supplied by the Salmon River Electric Co-op, but the company has 5 electric generating units as auxiliaries and three air compressors.

The area to be explored is near the center of Camp Bird No. 4 claim and below the 500 level. Entrance is gained through the Clayton vertical shaft to the 500 level thence 82 feet down to bottom of shaft sump, from where this project will begin. All of the mine workings on the 400 and 500 levels are accessible for examinations and nearly all of the remaining workings are accessible.

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

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4. (b) Production History:

The present concentration mill was completed and began operating on July 3, 1935. At that time only lead-silver concentrates were produced. In June, 1942, the zinc concentrating units were completed and zinc concentrating began at that time.

The ore produced and metals recovered from the Clayton Mine from 1936 through 1956 are as follows:

Year	Oz. Silver	Pounds Lead	Pounds Copper	Oz. Gold	Pounds Zinc	Tons Ore
1936	89,467	1,279,270	5,137	39		20,215
1937	102,373	1,394,674	9,864	49		28,224
1938	124,664	1,762,301	22,118	43		37,533
1939	120,965	1,852,031	17,040	31		38,241
1940	112,597	1,842,045	17,721	37		39,354
1941	127,952	2,489,918	21,947	39		40,976
1942	138,539	3,023,618	25,165	51	1,217,405	41,259
1943	185,990	2,903,980	40,184	74	1,041,650	38,982
1944	214,418	3,407,583	33,573	78	572,615	39,258
1945	119,704	1,939,615	19,445	38	618,507	28,027
1946	41,751	758,338	6,437	14	254,167	10,764
1947	122,504	2,115,587	24,454	52	774,828	24,366
1948	96,461	1,751,723	14,944	40	847,770	29,077
1949	46,772	1,076,943	7,239	17	401,176	14,502
1950	111,029	2,391,666	18,475	32	830,859	30,749
1951	116,668	2,317,326	18,136	43	1,510,952	23,562
1952	72,953	1,316,119	15,762	28	448,702	20,518
*1953	119,510	2,290,211	21,392	39	551,114	30,267
*1954	136,876	2,442,227	23,242	36	1,126,909	30,448
*1955	128,190	2,480,405	20,812	41	1,641,692	35,740
1956	183,283	3,127,038	31,066	66	2,489,014	39,901
Total	2,512,666	43,962,618	414,153	887	14,327,360	641,963

*Zinc concentrates in stockpile - estimated content included.

Proven ore reserves at the end of the year 1956 are estimated at 120,120 tons.

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

4. (c) GEOLOGY

Though there are five recognized types of productive deposits in the Bayhorse Mining District, they are all inter-related in origin and general characteristics.

The deposit at the Clayton Mine is characterized by a north-south shear-zone some 150 feet in width and located in the east, steeply dipping flank of a north-south assymetrical anticline. The core of the anticline consists of massive Kinnikinic quartzite. Overlying the quartzite is what is locally known as the Clayton Dolomite, made up of medium beds whose aggregate thickness is some 500 feet. According to Clyde P. Ross the age of these rocks is Ordovician. The shear-zone is entirely in dolomite on the Clayton property with a steep easterly dip. Within the shear-zone, roughly pod-shaped ore shoots have been discovered and developed over an area some 1500 feet in length. There is an inter-relationship of the individual ore shoots in that the ore occurrences are concentrated within a limited area of the shear-zone, and the composition of minerals is similar. On the other hand, from a mining viewpoint, each shoot has had to be searched out and developed, with little help from projections of prior developed shoots. Siderite and some minor quartz are the gangue minerals. This gangue is disseminated widely throughout the shear-zone, but varies widely in abundance from place to place including the ore shoots. Accompanying the gangue minerals, in the ore shoots, are galena, spalerite and minor tetrahedrite. These ore minerals occur disseminated in the dolomite as well as replacement of siderite. Though the ore shoots vary in size and shape they lie conformable to the shearing. That is, their linear measurements and dips lie with the shearing.

The largest ore shoot developed to date and developed to a depth of 550 feet on the 500 level is 350 feet long with an average width of some 35 feet, exhibiting a maximum width of 70 feet.

It is beneath this largest ore shoot that further exploration is desired, for the purpose of proving its existence at deeper levels.

Lead-zinc ores have been proven on the sill of the 500 level by development recently completed. These ores cover a plan area measuring 250 feet long and 25 feet wide.

4. (d) Access Roads:

U. S. Highway 93 to Clayton, thence one and one-half miles by good graded road. Major supplies obtained at Salt Lake City, Utah, shipped to Mackay, Idaho, thence to mine by local truck firm.

4. (e) Availability very good on all items

5. (a) Lead and zinc

5. (b)	See Exhibit "B"	Plan of Underground Workings	1" = 50'
	See Exhibit "C"	Longitudinal Section	1" = 50'

It is proposed to extend the main Clayton vertical shaft down 300 feet, establish the 800 level station, with pumping sump, and loading pockets. Then drive a drift northward approximately 1500 feet to explore the downward projection of the North Ore Shoots.

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

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5. (c) Preparatory work will begin at once, after receipt of contract and information reaches the Mine Superintendent at Clayton. Work will be completed within 118 weeks.

See following Schedule:

I.	Preparatory Work	2 weeks
II.	Sinking Shaft 300 feet	47 weeks
III.	800-Level Station Excavation	5 weeks
IV.	800-Level Loading Pocket	3 weeks
V.	Pumps & Power established on 800	1 week
VI.	Drift North on 800-level 1500 feet	60 weeks
	Total Time of Project	118 weeks

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

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6. (a) None

6. (b) Labor Costs by Classifications:

(A) Underground labor:

1. Cagers, Top Men, Muckers - Base Pay	$15.84	
½ pay premium over 40 hr. wk.	1.32	
Direct Labor Cost	$17.16	
Insurance @ 10.5%	1.80	
Fringe benefits @ 8¢/hr.	.64	
Total Cost to Operator	$19.60	per shift
2. Trammer, Muck Mach. etc. - Base Pay	$16.80	
½ pay premium over 40 hr. wk.	1.40	
Direct Labor Cost	$18.20	
Insurance @ 10.5%	1.91	
Fringe benefits @ 8¢/hr.	.64	
Total Cost to Operator	$20.75	per shift
3. Miner on headings - Base Pay	$16.80	
Plus Bonus Av. 33 1/3% of base	5.60	
½ pay premium over 40 hr. wk.	1.87	
Direct Labor Cost	$24.27	
Insurance @ 10.5%	2.55	
Fringe benefits @ 8¢/hr.	.64	
Total Cost to Operator	$27.46	per shift
4. Shaftmen:		
Miner (sinking) - Base Pay	$20.80	
Plus Bonus Av. 33 1/3% of base	6.93	
½ pay premium over 40 hr. wk.	2.31	
Direct Labor Cost	$30.04	
Insurance @ 10.5%	3.16	
Fringe benefits @ 8¢/hr.	.64	
Total Cost to Operator	$33.84	per shift

6. (b) Labor Costs by Classifications (continued)

5. Supervision cost underground per shift:

Mine Supt. - 50% of $710.00 mo.	$ 355.00
Mine Foreman	595.00
Mine Engineer	575.00
General Management - 50% of $500.00	250.00
Total Mine Supervision/mo.	$1775.00

Average 416 underground shifts/mo.

$$\frac{\$1775}{416} = \$4.27 \text{ per man shift}$$

(NOTE: Supervisors' fringe benefits and insurances are not included in the above figures.)

6. Hoistmen - Base Pay

Hoistmen - Base Pay	$17.20
½ pay premium over 40 hr. wk.	1.43
Direct Labor Cost	$18.63
Insurance @ 10.5%	1.96
Fringe benefits @ 8¢/hr.	.64
Total Cost to Operator	$21.23 per shift

7. Jigger Boss - Sinking - Base Pay

Jigger Boss - Sinking - Base Pay	$20.80
Plus bonus Av. 10%	2.08
½ premium pay over 8 hr. wk.	1.91
Direct Labor Cost	$24.79
Insurance @ 10.5%	2.60
Fringe benefits @ 8¢/hr.	.64
Total Cost to Operator	$28.03 per shift

(B) Labor Costs by Jobs, per unit:

1. Drifting and Crosscutting per foot:
(Average advance per shift - 4.15 feet)

2 Miners	@	27.46/shift	$54.92
1 Motorman	@	19.60/shift	19.60
Total Direct Labor			$74.52

6. (b) B. Labor Costs by Jobs, per unit (continued)

Direct labor per foot	$\frac{\$74.52}{4.15}$ =	$17.96
Supervision @ 4.27/man shift x 3 = $12.81		
Supervision per foot	$\frac{\$12.81}{4.15}$ =	3.09
Total Labor Cost per foot		$21.05

2. Excavation
(Average 260 cu. ft. per shift)

2 Miners @ 27.46	$54.92
1 Motorman @ 19.60	19.60
Supervision - 3 x 4.27	12.81
Total cost per shift	$87.33

Cost per cu. ft. $\frac{\$87.33}{260}$ = 33.6¢

3. Sinking (including timbering)
(Average advance per shift - 1.08 ft.)

2 Miners & Timberman @ 33.84	$ 67.68
1 Hoistman	21.23
1 Motorman	19.60
1 Jigger Boss	28.03
Supervision - 5 x 4.27	21.35
Total cost per shift	$157.89

Cost per foot $\frac{\$157.89}{1.08}$ = $146.20

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

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6. (c) Cost of Operating Material & Supplies:

1. Drifting on 800 level

Explosives	$ 5.685
Drilling Bits & Steel	.904
Track Materials - except rail	1.26
Power - compressed air	5.90
electric	7.09
Total per foot	$ 20.84

2. Excavation

	Cost per cu. ft.
Explosives	$ 0.091
Drilling Bits & Steel	0.071
Power - compressed air	0.094
electric	0.159
Total per cu. ft.	$ 0.415

3. Shaft Sinking

2-compartment 10'-8" x 5'-8" outside
1 set = $6\frac{1}{2}$' (Station set = 2 regular sets)

	Per Set cost
Timber 8 x 8 416 bd. ft. @ $100/M	$ 41.60
Lagging 442 bd. ft. @ $ 85/M	37.57
Guides, Ladders & Bolts	7.00
Nails	2.00
Hanging Rods 3/4"	15.00
Explosives	57.20
Drilling Bits & Steel	11.70
Power - compressed air	98.00
electric	197.40
Total per set	$ 467.47

Per foot $ 71.92

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

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6. (c) Cost of Salvagable Materials:

A. Shaft Materials:

370 ft.	- 4"	Pipe	@ $	1.88	$ 695.60
3	- 4"	Tees	@	7.547	22.64
2	- 4"	Gate Valves	@	50.81	101.62
39	- 4"	Victaulic Couplings	@	3.553	138.57
370 ft.	- 1"	Pipe	@	.28/ft.	103.60
3	- 1"	Plug Valves	@	2.662	8.00
2	- 1"	Pressure Reducers	@	23.35	46.70
350 ft.	- 8"	Pipe Column	@	4.55/ft.	1,592.50
43	- 8"	Victaulic Couplings	@	10,697	459.97
1	- 8"	90° El.			28.93
2	- 8"	Tees	@	45.675	91.35
2	- 8"	Gate Valves	@	158.17	306.34
230 ft.	- 8"	Light Pipe - drain	@	3.00/ft.	690.00
300 ft.	- 2½"	8 ply Hose	@	1.46	438.00
200 ft.	- 3/4"	Air Hose	@	.858	171.60
200 ft.	- ½"	Water Hose	@	.264	52.80
8 pr.	- 3/4"	Couplings	@	3.45	27.60
8 pr.	- ½"	Couplings	@	3.28	26.08
6 pr.	- 2½"	Couplings	@	9.00	54.00
500 ft.	- 10/4	Signal Cord			275.00
3	-	Junction Boxes	@	6.75	20.25
3	-	Signal Switches	@	26.50	79.50
3	-	Buzzer Signals	@	18.00	54.00
1	-	Bell Signal			35.00
		Total for Shaft Sinking			$ 5,437.65

6. (c) Cost of Salvagable Materils (continued)

B. Drifting Materials:

3000 ft. - 20#	Rail	@ ¢290.80/ton or .97¢/ft.		$ 2,910.00
1500 ft. - 3"	Pipe	@	1.215/ft.	1,821.95
90 - 3"	Victaulic Couplings	@	2.382	214.38
8 - 3"	Victaulic Tees	@	4.893	39.14
4 - 3"	Victaulic Els	@	3.253	13.01
2 - 3"	Gate Valves	@	33.78	67.56
3 - 3"	Plug Valves	@	29.113	87.34
1500 ft. - 1"	Pipe	@	0.28/ft/	420.00
12 - 1"	Plug Valves	@	2.662	31.95
1200 ft. - 14"	Fan Pipe	@	1.5353/ft.	1,842.30
	Total for Drifting			$ 7,447.63

Total Amount of Salvagable Materials $ 12,885.28

6. (d) Cost of Equipment:

A. Drifting:

	Drilling Machine		$ 1,000.00
	Mucking Machine		3,456.00
	Locomotive & Battery		7,000.00
3	Cars	@ $ 632.00	1,896.00
2	60 h.p. Pumps & Motors	@ $ 2,500.00	5,000.00
½	Hoist	@ 8,320.00	4,160.00
1	Ventilation Fan		1,200.00
	Total Equipment for Drifting		$ 23,712.00

Rental Values:

1/60 of $23,712.00	=	$ 395.20/mo. rental
26 shifts/mo.	=	$ 15.20/shift
4.15' per shift	=	$ 3.66/foot of drifting

6. (d) Cost of Equipment (continued)

B. Sinking Shaft:

2	Drilling Machines	@ $ 1,000.00	$ 2,000.00
½	Locomotive & Battery	@ 7,000.00	3,500.00
½	Car	@ 632.00	316.00
2	25 h.p. Pumps		1,992.00
1	15 h.p. Pump		750.00
2	Jet Pumps	@ 100.00	200.00
2	Tuggers		2,000.00
½	Hoist	@ 8,320.00	4,160.00
	Skip & Bonnet		1,025.00
	Total Sinking Equipment		$ 15,943.00

Rental Values:

Per month	$ 265.72
Per shift	10.22
Per foot	9.463

C. Excavation:

	Drilling Machine		$ 1,000.00
	Mucking Machine		3,456.00
	Locomotive & Battery		7,000.00
3	Cars	@ $ 632.00	1,896.00
2	25 h.p. Pumps		1,992.00
½	Hoist	@ 8,320.00	4,160.00
	Total Excavating Equipment		$ 19,504.00

Rental Values:

Per month	$ 325.07
Per shift	12.50
Per cu. ft.	0.048

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

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6. (d) Résumé of Costs:

I. Preparatory:

Labor 30 shifts @ $ 20.75		$ 622.50

II. Shaft Sinking - 300 feet:

Labor	@ $	146.20	$ 43,860.00	
Supplies	@	71.92	21,576.00	
Equipment	@	9.46	2,838.00	
Total Sinking			$ 68,274.00	
Salvagable Materials			5,437.65	
Total Cost of Shaft				73,711.65

2 compartments 10'-8' & 5'-3'

$245.71/ft.

III. Excavation:

800 Station	3,000 cu. ft.
800 Pump Station	4,000 cu. ft.
800 Loading Pocket	3,000 cu. ft.
Total Excavation	10,000 cu. ft.

Labor	@ $	0.336	$ 3,360.00	
Supplies	@	0.415	4,150.00	
Equipment	@	0.048	480.00	
Total Cost of Excavation				7,990.00

$0.80/cu.ft.

IV. Drifting - 1500 feet on 800 level:

Labor	@ $	21.05	$ 31,575.00	
Supplies	@	20.84	31,260.00	
Equipment	@	3.66	5,490.00	
Total Drifting			$ 68,325.00	
Salvagable Materials			12,885.28	
Total Cost of Drift				81,210.28

$54.14/ft.

Total Cost of Project	$ 163,534.43

Prints made from taped articles were returned to F.I.

Clayton Silver Mines
c/o Norman M. Smith
Sunshine Star Route
Kellogg, Idaho

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SUMMARY OF TOTAL COST OF PROJECT

I.	Preparatory:		
	Labor		$ 622.50
II.	Shaft Sinking:		
	Labor, Supplies & Equipment	$ 68,274.00	
	Salvagable Materials	5,437.65	
	Total		73,711.65
III.	Excavation 800 level:		
	Labor, Supplies & Equipment		7,990.00
IV.	Drifting on 800 level:		
	Labor, Supplies & Equipment	$ 63,770.00	
	Salvagable Materials	12,885.28	
	Total		81,210.28
	Grand Total of Project		$ 163,534.43

6. (e) None

6. (f) None

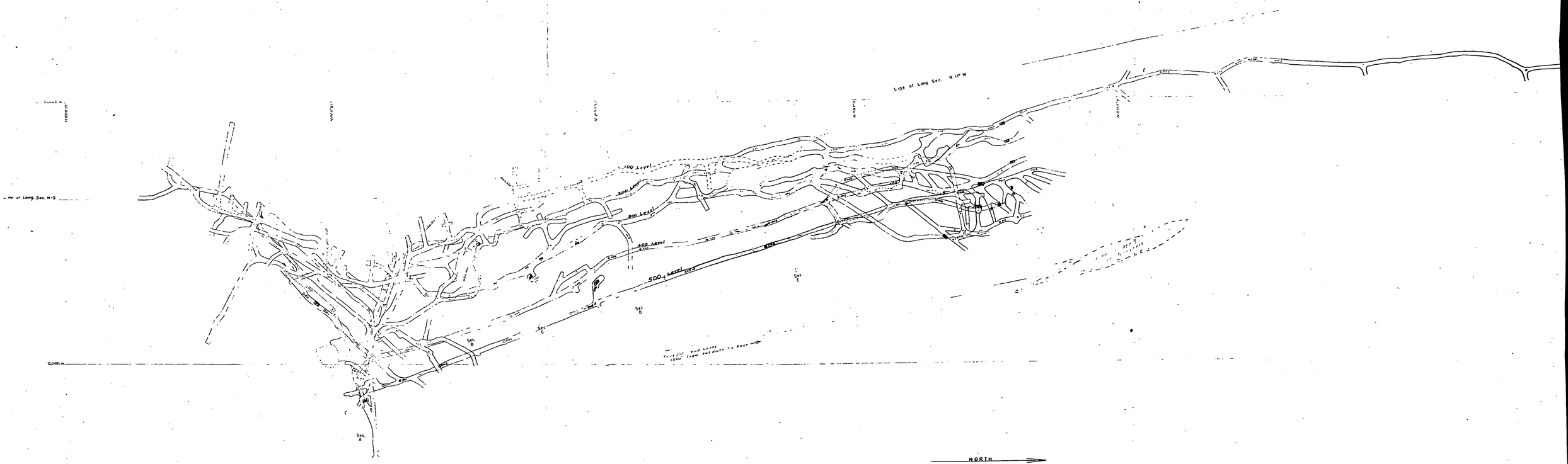
6. (g) Included in above costs

6. (h) There is a possibility that a half way station may have to be cut (150 feet below 500 sill) in order to relay the water, if there is excess water in the shaft. This would involve excavating approximately 4,000 cu. ft. at an additional cost of $3,200.

7. (a) Yes

7. (b) By money and equipment

N M Smith
2-25-57



CLAYTON SILVER MINES

PLAN OF UNDERGROUND WORKINGS

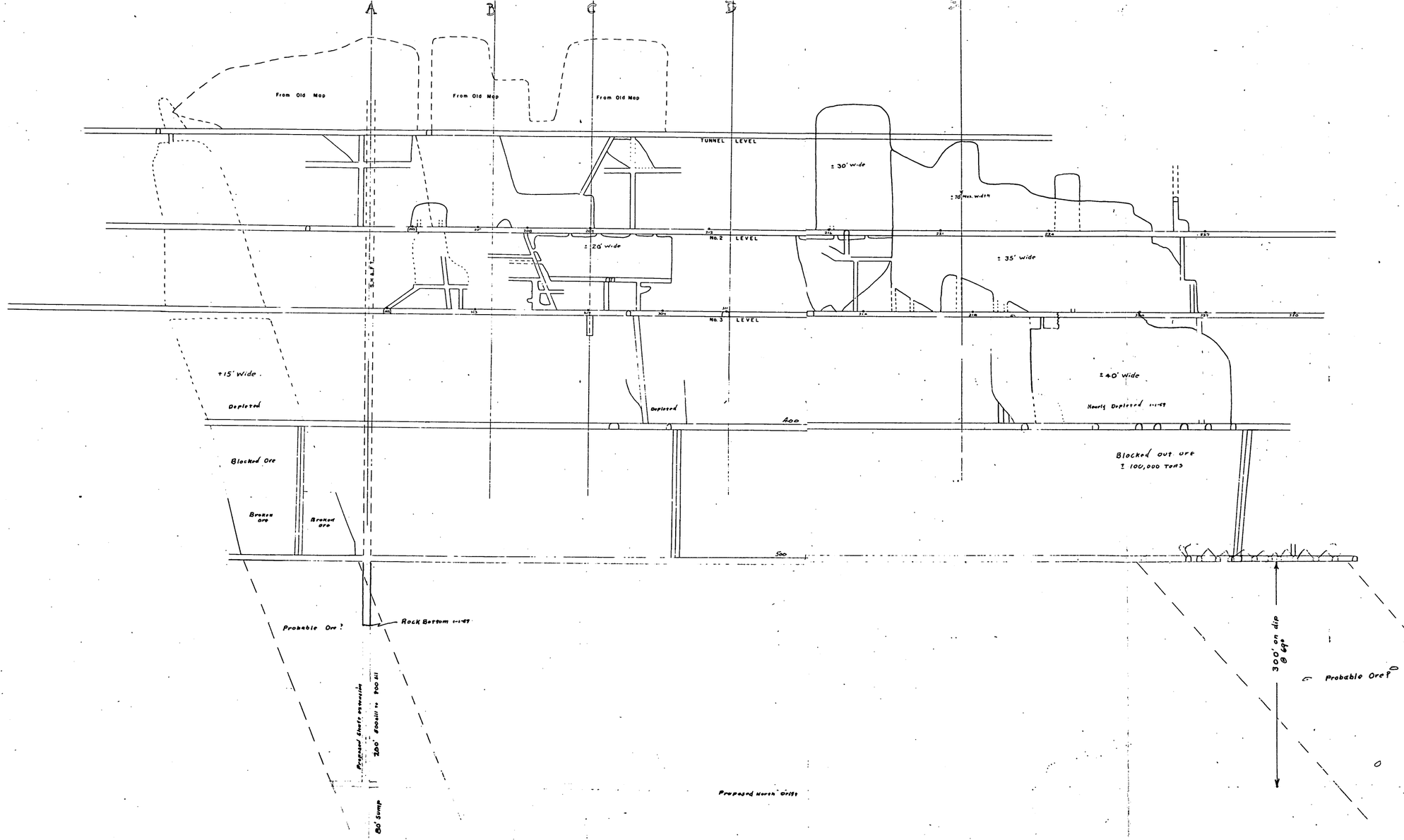
SCALE

Feb 1957

MF 103

EXHIBIT "B"

DMEA-4651



CLAYTON SILVER MINES

LONGITUDINAL SECTION
LOOKING WESTWARD

SCALE 50 ft. 100 ft. 1" = 50'

Section taken on plane of ore shoots — Dip and N 64° W Strike northward from Sec. A & South from Sec. A

MF 103
EXHIBIT "C"
DMEA-4659

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 27 1957

DATE	INITIALS	CODE
		13076

List of Illustrations Accompanying Examination Report

Clayton Silver Mines

Docket DMEA-4659

- - - -

Plate 1	Longitudinal section through the mine workings
Plate 2	Level plan map
Plate 3	Claim map
Plate 4	Surface geologic map by Irvin Taillew
Plate 5	Field Sheet showing geology of the north ore shoot on the 500 level
Plate 6	Field sheet showing part of the geology in the shaft area on the 500 level

Docket copy

PROJECT SUMMARY REPORT

By: J. W. Alt

December 28, 1960

1. DMEA-4659 (Lead-Zinc)
Contract Idm-E~~1212~~ 1108

OME-6329 Contract 2107 - Dec. 2, 1963 excess Brewster above 500 level.

Operator - Clayton Silver Mines
c/o Norman M. Smith, General Manager
Sunshine Star Route
Kellogg, Idaho

Property - Clayton Mine
Custer County, Idaho

Operator's Property Rights - Owner of 5 patented lode mining claims.

2. Contract, Form MF-200A (April 1956), dated July ~~14~~ 19, 1957.

Work to start on or before July 31, 1957.
Work to be completed within 24 months.

Work Authorized

The purpose of the project is to explore for lead-zinc ore by sinking to the 800 level, and drifting north and south to encounter the downward extension of the 500 level ore bodies.

Annex I excludes all ore bodies within said claims above the sill of the 500 level known to exist on the date of this contract. The Annex also contains a toll clause.

The work is as follows:

Item No.

1. Extend the main vertical shaft 300 feet.

2. Cut the 800 station at a point approximately 300 feet below the 500 level. Approximately 3,000 cubic feet of excavation.

3. On the 800 level, cut a sump. Approximately 4,000 cubic feet of excavation.

4. Below the 800 level, cut two loading pockets having a combined capacity of approximately 3,000 cubic feet.

Work Authorized (continued):

Item No.

5. On the 800 level, drift and crosscut for not to exceed an aggregate of 2,150 feet.

6. Long hole drill 700 feet to determine the outline and grade of the north ore body and to test other structures that may be found.

7. Not to exceed 200 samples shall be assayed for lead, zinc, and silver.

Fixed Unit Costs

1.	Extend main vertical shaft, 300 feet @ $149.00/ft.	$44,700.00
2.	Cut 800 level station, 3000 cu. ft. @ $0.62/cu.ft.	1,860.00
3.	Excavate sump on 800 level, 4,000 cu. ft. @ $0.62/cu.ft.	2,480.00
4.	Cut two loading pockets, 3,000 cu. ft. @ $0.62/cu.ft.	1,860.00
5.	Drifting and crosscutting, 2,150 feet @ $33.90/ft. (rounded)	72,890.00
6.	Long hole drilling, 700 feet @ $1.00/ft.	700.00
7.	200 samples assayed for lead, zinc, and silver, @ $3.00/sample	600.00
8.	Engineer-geologist, 23 months @ $250.00/mo.	5,750.00
	Estimated Total Cost of the Project	$130,840.00
	Government's Participation, 50%	$65,420.00

Amendments

No. 1 - agreed May 26, 1958, effective May 16, 1958, change in the description of the 800 level station, Item 2 of Exhibit "A."

No. 2 - agreed August 4, 1959, extends completion time from July 19, 1959, to July 19, 1960; royalty repayment period increased from 10 years to 11 years; contains a pseudo certification, effective July 19, 1960, if work of the contract is not completed on or before that date. 1968

2. (contd) Work Completed

Extension of shaft, 300 feet @ $149.00/ft.	$44,700.00
Cutting 800 level station, 3,000 cu. ft. @ $0.62/cu. ft.	1,860.00
Excavating sump, 800 level, 4,000 cu. ft. @ $0.62/cu.ft.	2,480.00
Cutting 2 loading pockets, 800 level, 3,000 cu.ft. @ $0.62/cu.ft.	1,860.00
Drifting and crosscutting, 2,126 feet @ $33.90/ft.	72,071.40
Long hole drilling, 470 feet @ $1.00/ft.	470.00
Sample assays, 23 A $3.00 each	69.00
Engineer-geologist, 23 months @ $250.00/mo.	5,750.00
Total Cost of the Project	$129,260.40
Government's Participation, 50%	$64,630.20

Final Reports

Operator's final report, dated September 2, 1960, received September 6, 1960.

Field Officer's final report, dated December 1960, received December 27, 1960.

Work on the project under the terms of the contract was begun on July 19, 1957, and by Amendment No. 2 the contract was terminated on July 19, 1960.

3. Audit Report of Review in lieu of final audit, dated September 15, 1960.

Total cost billed by Operator	$129,260.40
Exceptions	-0-
Total acceptable cost	$129,260.40
Government's Participation @ 50%	$64,630.20

4. Certification of discovery - Amendment No. 2 contains a pseudo-certification. Effective ??

5. Comments -

Work on the project, although interrupted and slowed down by excessive flows of water, an earthquake, a blasting accident, and other causes, was, on the whole, performed in a manner satisfactory to the Government.

Purpose of the project was to explore for the downward continuation of two known ore bodies, where the ore occurs as sulphides of lead, zinc, copper, and silver, in lenses and shoots along northerly-and-northeasterly-trending shear zones

5. Comments (continued)

in the Ella dolomite of probable Upper Ordovician age.

No significant discovery of ore resulted from project work and certification was not recommended. A "pseudo-certification" clause was incorporated in Amendment No. 2. Effective?

J. W. Alt

JWAlt/gla
12-28-60
cc to: Director's Reading File
Mr. Johnson
Mr. Alt
Chron

MME Form 17
Mar. 59

OFFICE OF MINERALS EXPLORATION

WORK COMPLETED ANALYSIS

___ Certified — After final audit or review report is received, prepare in duplicate. File original in official docket. Send copy to Code 210.

Operator: Clayton Silver Mines — Actual Cost

State: Idaho — Commodity: Lead-Zinc — Agreed Unit Cost: X

Final Report of Audit — Docket No.: DMEA-4659

Final Report of Review: September 15, 1960 — Contract No.: Idm-E 1108

Type of Work (Use these categories only)	Authorized by Contract and Amendments		Completed and Paid for		Net cost after sale of Gov't. Property
	Units	Cost 1/	Units	Cost 1/	
Drifting & Crosscutting	2,150 ft. @ $33.90/ft.	$72,890.00	2,126 ft.	$72,071.40	
~~Raising~~ Cut 800 Level Station	3,000 cu. ft. @ $0.62/cu. ft.	1,860.00	3,000 cu. ft.	1,860.00	
Shafts 2 Compart. 10'8"X5'8"	300 ft @ $149/ft	44,700.00	300 ft.	$44,700.00	
~~Winzes~~ Excavate sump 800 Level	4,000 cu. ft. @ $0.62/cu. ft.	2,480.00	4,000 cu. ft.	2,480.00	
Drilling (Specify) Long Hole	700' @ $1.00/ft.	700.00	470 ft.	470.00	
Surface Excavation					
Underground Excavation Cut 2 loading pockets 3,000 cu. ft. @ $0.62/cu. ft		1,860.00	3,000 cu. ft.	1,860.00	
Roads and Trails					
Operating Equipment Purchased					
Surface Rehabilitation & Repairs					
~~Underground Rehabilitation~~ Engineer-Geologist - 23 months @ $250/mo.		5,750.00		5,750.00	
New Building, Improvements, etc.					
Other (Specify) 200 samples @ $3.00/each		600.00	23	69.00	
Totals		$130,840.00		$129,260.40	2/

1/ Round off to dollars.
2/ Net cost total must agree with final report of audit or review.

Contract Terminated by Amendment No. 2
Contains a Pseudo-Certification.

Prepared by J. M. Ell — Date 10/12/60

52616

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code

MAR 17 1967

AIRMAIL

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Post Office Box 890
Wallace, Idaho 83873

Re: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Dear Mr. Smith:

Your check in the amount of $1,014.08 forwarded under date of January 23, 1967, completes the repayment of the Government's contribution to the costs of exploration under the subject contract.

We wish to thank you for this repayment and congratulate you on the success of your operations.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's Reading File
Division File
Econ. Geol. File
DMEA Docket
OME Reading File
Region I
Br. of Budget and Finance
120M

~~MMXXXXXXXXXXXXXXXX~~
FEJohnson/mm (3/17/67)

23263

WALLACE, SHOSHONE COUNTY, IDAHO, MARCH 17, 1966

Mines

OPTIMISTIC NOTE IN CLAYTON REPORT

Mine In South Central Idaho Has Sizable Ore Reserves

Production from the Clayton Mine in South Central Idaho was steady throughout 1965 and with known ore reserves of more than 300,000 tons, the company "should be able to look forward to several profitable years of operation," stockholders were told in the firm's annual report being mailed out from Wallace this week.

A listed 206,000 tons are above the mine's 800 level and 100,000 tons are in the first 35 feet of depth below the 800 level, the report says, adding that an additional 500,000 tons of possible ore below the 835-foot mark are not now classified as ore reserves. This lower body of possible ore was disclosed in diamond drilling late last year, the report says.

W. M. Yeaman, Yakima, Wash., president, signed the report on behalf of the firm's directors and said the mill began operating at an increased rate of 180 tons per day in January of this year. Last year, he said, the mill operated at approximately 80 tons per day, most of it on ore from the mine's North Stope above the 800 level.

The metals recovered from concentrates sold in 1965 were 139,200 ounces of silver, 914,514 pounds of lead and 42,661 pounds of copper. Receipts from the smelter for concentrates amounted to $262,105. The major portion of the smelter returns resulted from payment for silver, which amounted to $152,758, or 58 per cent of the income from sale of metals. Payment received for lead was $100,132; for copper, $8204 and $1011 for gold, the report recites.

It continues:

"It became apparent early in the year that a larger milling capacity was necessary to profitably extract the tonnage developed above the 800 level in the Big North Stope. Most of the mill equipment was installed in 1936 and needed to be replaced. Consequently extensive changes and improvements were made to the mill. A Hardinge ballmill, having a capacity of 100 tons per day, was installed. This, together with the original Denver ballmill, increased the total milling capacity to approximately 180 tons per day.

"New and reconditioned flotation cells were also installed and the old rake classifier was replaced by two Krebbs cyclone classifiers. The crushing plant was completely replaced with a Kue-Ken jaw crusher and a Traylor Gyratory crusher. A new feeder, conveyor equipment and power accessories were installed.

"During the year considerable rehabilitation work was performed in the mine and the large block of ore located in the north end above the 800 level was prepared for mining. This block is estimated to contain 196,300 tons of ore.

"Diamond drilling below the 800 level was completed in April, 1965. The results of this drilling disclosed a large low-grade silver deposit between the 800 and 1300 levels estimated to contain 600,000 tons.

"The 1500 level was not reached as planned with drill holes because of excessive water pressure encountered around the 1400 level. The last hole drilled disclosed good lead-zinc ore which was 22 feet in width at the 1425-foot level. This hole was the only one out of the twelve drilled that showed this type of ore, which when sampled across the ore zone of 22 feet gave average assays of 4.07 ozs. silver, 5.75% lead and 5.3% zinc."

The company reported a net of $3584 on its 1965 operations, compared with $28,301 in 1964.

Officers and directors of Clayton in addition to Yeaman are Norman M. Smith, vice president; H. F. Magnuson, secretary-treasurer, and Mrs. Alma R. Kingsbury and Mrs. Olga Marquardt, directors.

4659

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane, Washington 99204
September 29, 1966

OCT 3 1966
MINERALS CODE
10/3 m 420 m
Fej 110
220

Memorandum

To: Chief, Office of Minerals Exploration

From: Field Officer, Region I

Subject: Royalty Inspection
DMEA-4659 (Lead-Zinc) and OME-6324 (Silver)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108 and Contract 2177

The Clayton mine was visited September 23, 1966. Mr. Fred Leutzinger, Superintendent, stated that all ore being mined is from above the 800 level, which is subject to royalty resulting from DMEA-4659. The shaft, from which the ore discovered by OME-6324 work is to be developed, has not been continued beyond a few feet below the 800 level. Therefore, there has been no production from this ore.

D. R. MacLaren

D. R. MacLaren

Distribution:
OME(Orig.&2)
Dockets DMEA-4659 & OME-6324
CPF

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
		110
		220

JUL 8 1966

Memorandum

To: Chief, Branch of Budget and Finance

From: Chief, Office of Minerals Exploration

Subject: BMKA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Enclosed is a copy of a letter dated July 6, 1966, from the Field Officer, OME Region I, transmitting a copy of the Report of Royalty Audit on the subject contract issued in June 1966. Also enclosed is a copy of said report.

FRANK E JOHNSON

Frank E. Johnson

Enclosures

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
OME Region I

FEJohnson/bih 7/8/66

23263

OME(2)

GEOLOGICAL SURVEY
No. 157 Howard Street
Spokane, Washington 99204
July 6, 1966

OFFICIAL COPY
O. M. E.
RECEIVED
JUL 8 1966

INITIALS	CODE
	120
	110
	120 K
	220

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Post Office Box 890
Wallace, Idaho 83873

Re: ~~OME-6364 (Silver)~~ DMEA-4654 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract ~~OEPT~~ Idm-E 1108

Dear Mr. Smith:

There is enclosed one copy of a Report of Royalty Audit of the above-cited contract which was prepared during the period July 19, 1957, through January 1966.

Sincerely yours,

D. R. MacLaren
Field Officer, OME
Region I

Enclosure

DRMacLaren/mls

cc: OME(2)
CPF

Director's Reading File

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
6/27		110
Gala	Kidemo	120
		220

JUN 28 1966

Memorandum

To: Field Officer, Region I

From: Chief, Office of Minerals Exploration

Subject: BMKA-4659 (Silver)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Enclosed are two copies of a Report of Royalty Audit issued in June 1966 on the subject contract.

If you concur in the facts as stated in this report, one copy should be sent to the Operator and the other copy retained for your files. As evidence of your concurrence in the report, two copies of your letter to the Operator transmitting its copy of the report should be furnished this office. If for any reason you do not concur, both copies of the report should be returned to this office with your appropriate comments.

FRANK E. JOHNSON (gla)

Frank E. Johnson

Enclosures

cc: Director's Reading File
Division File
Economic Geology File
OME docket
OME Reading File
130
120M

FEJohnson/gla 6=27-66

23263

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

OFFICE OF THE DIRECTOR

JUN 16 1966

OFFICIAL COPY
O. M. E.
RECEIVED
JUN 17 1966
INITIALS | CODE
110

Memorandum

To: Chief Geologist
Through: Assistant Director

From: Chief Auditor

Subject: Internal Audit of Contract Idm-E1108
Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Enclosed are four copies of the report of our royalty audit of the subject contract. This audit was made at the request of the Chief, Office of Minerals Exploration.

William T. McClelland

Enclosure

Chrono

OFFICIAL COPY
O. M. E.
RECEIVED
APR 25 1966

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OFFICE OF MINERALS EXPLORATION
South 157 Howard Street
Spokane, Wash. 99204

April 22, 1966

Clayton Silver Mines
P. O. Box 890
Wallace, Idaho

Re: LMLA 4659
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Ism-4152

Gentlemen:

We have received your check in the amount of $1,833.68. The Remittance Advice with your check indicates that it is Royalty Payment No. 77 for January 1966. Will you kindly send us the usual two copies of the settlement sheets and the sheet indicating how this Royalty was computed. They apparently were overlooked when the check was mailed.

Sincerely,

D. R. MacLaren
Field Officer, OME
Region I

cc: OME

Director's reading file
CPF

DRMacLaren/rc

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	Selfridge	
1/17	Johnson	1110
		170M

JAN 17 1966

Memorandum

To: Field Officer, Region I

From: Chief, Office of Minerals Exploration

Subject: OME-6324 (Silver)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract 2177

We are preparing a certification of possible production under the subject contract based on your recommendation of November 22, 1965. Will you please request a final audit review in accordance with the instructions in OME Circular No. 2 and our recent discussions in Washington. Two hundred dollars has been placed in a suspense account in lieu of the Operator's final report.

File

In looking over recent settlement sheets under Docket No. DMEA-4659, Contract No. Ida-21106, it was noted that mine Lot No. 939 was not supported by a settlement sheet. In addition, it has been four months since any royalty has been paid. It might be well to call Mr. Smith's attention to this matter.

(signed) FRANK E. JOHNSON

Frank E. Johnson

cc: Director's Reading File
Division File
Economic Geology File
OME Docket 6324
DMEA Docket 4659
OME Reading File
Mr. Selfridge (2)

GCSelfridge/mm (1/17/66)

23263

Mre

OFFICIAL COPY
O. M. E.
RECEIVED
JUN 30 1965
INITIALS | DATE
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So. 157 Howard Street
Spokane, Washington 99204
June 28, 1965

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: DMRA-4659 (Lead-Zinc)
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Dear Mr. Smith:

There is enclosed for your information and files a copy of a Royalty Audit Certificate and a Royalty Audit Report, dated June 10, 1965, covering the subject contract for the period April 19, 1964, through February 28, 1965.

Sincerely yours,

D. R. Maclaren
Acting Field Officer, OME
Region I

Enclosure

MLSmelser/mls

cc: OME
CA&A
CPF

Director's Reading File
Resources Research Branch Chief

So. 157 Howard Street
Spokane, Washington 99204
June 28, 1965

OFFICIAL COPY
O. M. E.
RECEIVED
JUN 30 1965

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Memorandum

To: Fiscal Section, Office of Management Operations
Office of the Secretary, Department of the Interior
Washington, D. C.

From: Acting Field Officer, Region I

Subject: IMBA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-21103

There is enclosed the original of a Royalty Audit Certificate and a Royalty Audit Report, dated June 10, 1965, covering the subject contract for the period April 19, 1964, through February 28, 1965.

One copy of the certificate and report has been sent to the Operator and one copy retained in the Spokane office files.

D. R. Maclaren

Enclosure

MISmelser/mls

cc: ONE
CA&A
CPF

Director's Reading File
Resources Research Branch Chief

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code

JUN 2 3 1965

Memorandum

To: Acting Field Officer, Region I
/s/ C. E. Fisher

From: Contract Administration and Audit Division

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

The original and two copies of a Royalty Audit Certificate and Royalty Audit Report 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, Office of Management Operations, Office of the Secretary, U. S. Department of the Interior, Washington, D. C. 20240;

(b) One copy for the Operator; and

(c) One copy for your files.

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

Enclosures

CEFisher:fh/6/16/65

cc:
Docket
Director's reading file
CA&A Div.
Fiscal Section

23263

One (2)

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 20 1964

DATE	INITIALS	CODE
5-21	Murphy	504
		220

So. 157 Howard Street
Spokane, Washington 99204
May 18, 1964

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Ida-R1108

Dear Mr. Smith:

There are enclosed one copy each of a Royalty Audit Certificate and a Royalty Audit Report, dated May 4, 1964, covering the period March 7, 1963, through April 18, 1964.

Payment in the amount of $2.52 indicated by the audit as royalty due is requested.

Sincerely yours,

D. R. Maclaren
Acting Field Officer, OME
Region I

Enclosures

MLSmelser:mls

cc: OME(2)
CAAA
CPF

Director's Reading File
Resources Research Branch Chief

Ome (2)

So. 157 Howard Street
Spokane, Washington 99204
May 18, 1964

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 20 1964
DATE
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221

Memorandum

To: Fiscal Section, Office of Management Operations
Office of the Secretary, Department of the Interior
Washington, D. C.

From: Acting Field Officer, Region I

Subject: IMSA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Mm-R1108

Enclosed are the originals of a Royalty Audit Certificate and a Royalty Audit Report, dated May 4, 1964, covering the subject contract for the period March 27, 1963, through April 18, 1964.

One copy each of the certificate and audit report are being mailed to the Operator, and one copy of each will be retained in the Spokane office files.

D. R MacLaren

Enclosures

MLSaelser:mls

cc: OME(2)
CAAA
CPF

Director's Reading File
Resources Research Branch Chief

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
5/12	[illegible]	800
		220

MAY 12 1964

Memorandum

To: Acting Field Officer, Region I

(Signed) E. D. Talbert

From: Chief, Contract Administration and Audit Division

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

The original and two copies of a Royalty Audit Certificate and Royalty Audit Report 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, Office of Management Operations, Office of the Secretary, U. S. Department of the Interior, Washington, D. C. 20240;
(b) One copy for the Operator; and
(c) One copy for your files.

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

Enclosures

CEFisher/ama 5-11-64

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

43683

So. 157 Howard Street
Spokane, Washington 99204
March 11, 1964

3/13 Murphy 500

Mr. Norman M. Smith, General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

220

Re: DMEA-4659 (Lead-Zinc)
Clayton Mine
Custer County, Idaho
Contract IDm-E1108

Dear Mr. Smith:

We have just been advised that Mr. Clarence E. Fisher plans to visit Spokane and will make royalty audits in the Coeur d'Alene area on or about April 16 and 17.

Sincerely yours,

D. R. Maclaren
Acting Field Officer, OME
Region I

MLSmelser:mls

cc: CA&A Div.
OME
CPF

Director's Reading File
Resources Research Branch Chief

N.B. Mr. Talbert: Mr. Buhrmester, Accountant, The Bunker Hill Co., was advised of Mr. Fisher's pending visit on March 10 when I visited that company's office.

5/10		500
		500
		220

So. 157 Howard Street
Spokane 4, Washington
May 8, 1963

Memorandum

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

From: Acting Field Officer, Region I

Subject: DMMA-4639 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Ida-81108

Enclosed are the originals of a Royalty Audit Certificate and a Royalty Audit Report, dated May 2, 1963, covering the subject contract for the period March 1, 1962, through March 26, 1963.

One copy each of the certificate and audit report are being mailed to the Operator, and one copy of each will be retained in the Spokane office files.

D. R. MacLaren

Enclosures

cc: CMM(2)
CAAA
CPF

Sending copies to:
Hulen
McKelvey

DRMacLaren:ny

So. 157 Howard Street
Spokane 4, Washington
May 8, 1963

Mr. Norman M. Smith, General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: MSHA-4699 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract IDm-K1108

Dear Mr. Smith:

There are enclosed one copy each of a Royalty Audit Certificate and a Royalty Audit Report, dated May 2, 1963, covering the subject contract for the period March 1, 1962, through March 26, 1963.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OMM
Region I

Enclosures

DRMacLaren:ny

cc: OMM(2)
CAAA
CFF
Mailing copies to:
Helen
McKelvey

MME Form
(10-58)

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

X

x

14X0108, Salaries and Expenses,
Office of Minerals Exploration,
Interior

OFFICIAL FILE COPY

Date	Surname	Code
5/8	[illegible]	130
5/8	Talbot	800
"	Johnson	110
"	[illegible]	100
5/8	Cal	220

TO: D. R. MAC LAREN, ACTING FIELD OFFICER
OFFICE OF MINERALS EXPLORATION, REGION I
SOUTH 157 HOWARD STREET
SPOKANE 4, WASHINGTON

REURTEL CLAYTON SILVER MINES, DMEA-4659, FORWARD ROYALTY AUDIT WITHOUT REQUESTING PAYMENT.

[illegible] G. Selfridge (gla)

G. C. SELFRIDGE, CHIEF
DIVISION OF FIELD OPERATIONS

GCSelfridge/gla (5-8-63)
cc to: Director's Reading File
CA&A Division
Docket
Mr. Selfridge

1 1

G. C. Selfridge, Chief, Division of Field Operations RE 7-1820X5372 May 8, 1963 3:45 p.m.

George Fumich, Jr. (pt)

43683

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 8 1963

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FWB-096 WWAF FSP 33 I-MME

SPOKANE WASH 5-6-63 1510U

GEORGE C. SELFRIDGE, CHIEF DIV. OF FIELD OPERATIONS

OFFICE OF MINERAL EXPLORATION

USDI WASHN DC

RAYALTY AUDIT MAY 2ND 1963, DMEA-4659, CLAYTON SILVER MINES CUSTER COUNTY IDAHO, CONTRACT IDM-E1108, SHOWS ROYALTY DUE IN AMOUNT OF $690.06. ACCORDING TO PENULTIMATE PARA PAGE 3, $312.73 WAS SUBSEQUENTLY PAID, REDUCING BALANCE DUE TO $377.33, WHICH IS THE ESTIMATED ROYALTY DUE ON FEBRUARY PRODUCTION. AS THIS SUM IS ONLY AN ESTIMATE, SHOULD PAYMENT BE REQUESTED IN LETTER FORWARDING OPERATORS COPY?

D. R. MCCLAREN ACTING FIELD OFFICER REGION 1

2ND 1963 DMEA-4659, IDM-E1108 $690.06 3 $312.73 $377.33

VA 1513U

No!
Talbot

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
5/2	Talbert	800
		220

MAY 2 1963

Memorandum

To: Acting Field Officer, Region I

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

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

The original and two copies of a Royalty Audit Certificate and Royalty Audit Report 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, Department of the Interior, Washington 25, D. C.;
(b) One copy for the Operator; and
(c) One copy for your files.

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

Enclosures

CEFisher/ama 5-2-63

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

43683

MME FORM 6 REFERENCE SLIP

REV. 2-59 OFFICE OF MINERALS EXPLORATION

TO:	DATE	INITIALS
1. Chief, Divn. of Field Operations	3/21/63	
2.		
3.		
4.		
5. DRMacLaren		

FROM: D. R. MacLaren, Act. Fld. Offr.
Region I

FOR: Check items for action desired

____ Action ____ Reply for signature of ____
____ Approval ____ Investigate ____ Surname
____ Comment ____ Recommendations ____ Signature
____ Conference ____ Rewrite ____ File
____ Instructions X Your information

REMARKS: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Two copies of letter from Norman M. Smith, 3/19/63, re royalty on GSA payments and visit of Clarence Fisher for audit of accounts.

M56300-59

INT.-DUP. SEC., WASH., D.C.

RECEIVED MAR 25 1963

DATE		
3/19		
3/22		

So. 157 Howard Street
Spokane 4, Washington
March 11, 1963

OFFICIAL FILE COPY
OMRE
RECEIVED MAR 13 1963

DATE		
3/14	Transmitted	800
		500
3/14	Murphy	
		220

Mr. Norman M. Smith, General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: DMEA-4639 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-K1108

Dear Mr. Smith:

According to an article in the March 7, 1963, issue of the "Wallace Miner," Clayton Silver Mines has received the sum of $41,465 under the Lead-Zinc Subsidy plan.

Royalty on subsidy being paid. EW

That portion of the payment that is the result of the shipment of ore subject to DMEA royalty is also subject to royalty as provided for in Article 6(b) and (c) of the contract.

We have just been advised that Mr. Clarence E. Fisher plans to visit Spokane and will make royalty audits in the Coeur d'Alene area on or about April 17 through 19.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OMRE
Region I

DRMacLaren:my

cc: OMRE(2)
CFF
Reading copies to:
Nelson
McNalvey

OFFICIAL FILE COPY
O. M. E
RECEIVED SEP 27 1962
DATE
9/27 ~~110~~ 200 500 220

Murphy

Clayton Silver Progress Told

KELLOGG, Idaho — Diamond drilling from the 800-foot level to the 900 level in the Clayton Silver property cut a "very good" grade of lead-zinc ore, according to Norman R. Smith, manager.

Mining of ore above the 800-foot level is continuing, he said, but shaft deepening has been suspended for the present.

The General Services Administration has not yet determined what Clayton's participation will be in subsidy payments under the act for aiding small lead-zinc producers, he said.

payments
small le
said.

Silver Mill May Reopen

Starting up of the existing 100-ton mill at the Conjecture silver mine near Lakeview, Idaho, is "contemplated," Federal Resources Corp. told stockholders today in announcing a semi-annual dividend of 5 cents a share.

The Salt Lake City firm, which is developing the property of Conjecture Mines, Inc., of Spokane on a profit-sharing basis, has been studying construction of a new and larger mill.

The old mill could be used to concentrate ore from upper levels of the mine while development work continues on the bottom 2,000-foot level, the letter to stockholders said.

"This could save maintenance, utilize development waste material for backfill and provide funds for future development," it said.

Drifts are being extended on the 1,000-foot level as well as on the 2,000 level, it said.

At silver properties near Hailey, Idaho, controlled by Federal, progress is being made in blocking out sufficient ore to justify mill construction and a decision is anticipated soon, it said.

The dividend will be paid Nov. 16 to shareholders of record Oct. 19, it said.

The two diivdends declared this year total $847,260, it said, but this is less than one-third of the firm's anticipated 1962 income even after charging to expense most of the substantial development costs at the Conjecture mine.

DMEA-4659

So. 157 Howard Street
Spokane 4, Washington
June 8, 1962

OFFICIAL FILE COPY
JUN 9 1962

6/11 may 806
gla 500
220

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: MMA-4639 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Ida-81108

Dear Mr. Smith:

There are enclosed for your information one copy each of a Royalty Audit Certificate and Royalty Audit Report dated May 29, 1962, on the sale of lead concentrates from the Clayton mine for the period March 1, 1961, through February 28, 1962, on which royalty is payable to the U. S. Government under the terms of Contract Ida-81108 dated July 19, 1957, as amended.

Sincerely yours,

D. H. MacLaren
Acting Field Officer, OMS
Region I

Enclosures

DHMacLaren:my
cc: Fisc. Sec., Div. of Admin. Serv., OS
w/orig. Royalty Audit Report and Certificate

CAAA Div., OMS
OMS
Reading copies to:
Nolan
Hobbs
Guild

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
6/1	Fisher	800
		220

JUN 1 1962

Memorandum

To: Acting Field Officer, Region I

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

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

The original and two copies of a Royalty Audit Certificate and Royalty Audit Report 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, Department of the Interior, Washington 25, D. C.;
(b) One copy for the Operator; and
(c) One copy for your files.

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

Enclosures

CEFisher/ama 6-1-62

cc:
Docket
Director's Reading File
CA & A Division
Mr. Rothrock

43683

So. 157 Howard Street
Spokane 4, Washington
April 11, 1962

OFFICIAL FILE COPY
O. M. E.
RECEIVED APR 16 1962
DATE
4/16 gla 500
220

Mr. Norman Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: DMEA-4659 (Lead-Zinc)
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Dear Mr. Smith:

C. E. Fisher, OME auditor, plans to visit the Kellogg office of Clayton Silver Mines for the purpose of making a royalty audit on Thursday, May 3, or Friday, May 4, 1962. If either of these dates will not be convenient, please let me know.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

DRMacLaren:my
cc: CA&A Div.
OME
CPF
Reading copies to:
Nolan
Hobbs
Guild

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
August 2, 1961

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 4 1961

DATE	INITIALS	CODE
		120
8/4	[illegible]	800
		500
8/4	Murphy	500
		220

Thermofax copies for each docket

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: Royalty inspections

Docket No. DMEA-4659 (Lead-Zinc), Clayton Silver Mines, Clayton Silver Mine, Custer County, Idaho, Contract No. Idm-E1108:

The Clayton mine was visited July 22, 1961. Richard Settle, Superintendent, was interviewed. The mill was undergoing routine repairs. The purpose of this visit was primarily to inquire about possible activity at other Certified Projects in the area that time did not permit visiting. Mr. Settle was able to give me some information on the following mines:

Docket No. DMEA-1894 (Lead), Buchman, Breckon and Norden, Red Bird Mine, Custer County, Idaho, Amended Contract No. 266 (There have been no shipments from the Red Bird mine which Settle believes has been leased by Bunker-Hill.)

Docket No. DMEA-1959X (Zinc-Lead), Gardner and Vance, Hoodoo Mine, Custer County, Idaho, Contract No. Idm-E223 (There has been no production from the Hoodoo mine but Settle believes that it too has been taken over by Bunker Hill.)

Docket No. DMEA-3015 (Lead-Zinc), Hecla Mining Company, Livingston Mine, Custer County, Idaho, Amended Contract No. Idm-E573 (Elmer H. Swanson, present owner of the Livingston mine by virtue of a Receiver's Sale is doing some bulldozer trenching in an effort to find some shallow ore that can be mined by open cut or shallow workings. To date, no shipments have been made.

[illegible]?

Docket No. DMEA-2213 (Zinc), Elmer Enderlin, Meadow View Claims, Custer County, Idaho, Contract No. Idm-E294 (Settle has not heard of any shipments being made but believes that Bunker-Hill has leased the property. He has no information on what activity there may be.

Docket No. DMEA-3664 (Lead-Zinc), Highland-Surprise Consolidated Mining Company, Deer Trail Mine, Custer County, Idaho, Contract No. Idm-E819 (Settle has no positive information on activity at the Deer Trail mine but believes something is being done there.

I shall write to the various Operators or owners of the above properties for more definite information.

D R MacLaren

D. R. MacLaren

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUN 19 1961

DATE	INITIALS	CODE
6/19	gad	VVO
6/19	[illegible]	800
"	Griswold	500
"	Murphy	500
		220

So. 157 Howard Street
Spokane 4, Washington
June 16, 1961

Mr. Norman Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: DMEA-4659 (Lead-Zinc)
Clayton Mine
Custer County, Idaho
Contract Idm-Z1108

Dear Mr. Smith:

There is enclosed for your information and files a copy of a Royalty Audit Report and Certificate dated June 6, 1961, on the sale of lead concentrates produced from the Clayton mine, located in Custer County, Idaho, for the period January 1, 1961, through February 28, 1961, on which royalty is payable to the U. S. Government under the terms of the above-referenced contract dated July 19, 1957, as amended.

Sincerely yours,

D. R. Maclaren
Acting Field Officer, OME
Region 1

Enclosure

MLSmelser:mls
cc: Fiscal Section, Div. of Admin. Services
Office of the Secretary w/orig. Royalty Audit Report and Certificate

CA&A Div., OME
OME
Reading copies to:
Nolan
Hobbs
Guild

Orig(2)

OFFICIAL FILE COPY
O. M. E
RECEIVED MAR 20 1961

DATE	INITIALS	CODE
3-20	gad	770
3/20	[illegible]	800
3/20	Murphy	500
		220

No. 157 Howard Street
Spokane 4, Washington
March 17, 1961

Clayton Silver Mines
Scott Building
P. O. Box 890
Wallace, Idaho

Re: MMA-4699 (Lead-Zinc)
Clayton Mine
Custer County, Idaho
Contract IBm-21108

Gentlemen:

There is enclosed for your information and files a copy of a Report of Royalty Review dated March 14, 1961, for the purpose of determining the amount of royalty due the U. S. Government on production of minerals from property referred to as the Clayton mine located in Custer County, Idaho, during the period July 19, 1957, through December 31, 1960.

Sincerely yours,

D. R. Nielsen
Acting Field Officer, OME
Region I

Enclosure

cc: Fiscal Section, Div. of Admin. Services
Office of the Secretary w/orig. Report of Royalty Review

CAA Div., OME
OME(2)
Director
Rem. Genl.
MAN

MME Form 7
(10-58)

.OFFICIAL FILE COPY

Date	Surname	Code
3/14	gad	220

MAR 1 4 1961

Memorandum

To: Acting Field Officer, Region I

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

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

The original and two copies of a Report of Royalty Review covering the subject contract are attached. 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, Department of the Interior, Washington 25, D. C.;
(b) One copy to the Operator; and
(c) One copy for your files.

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, the original and both copies of the report should be returned to this Division with your comments.

Attachments

EDTalbert/ama
March 14, 1961

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

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
2/28	gad	220

FEB 2 8 1961

Memorandum

To: Acting Field Officer, Region I

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

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

This Division is in the process of preparing a Report of Royalty Review on the subject contract. Your submission of an original and one copy of MME Form 22, Check Sheet of Examining Engineer, will be appreciated.

EDTalbert/ama
February 28, 1961

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

43683

W. M. YEAMAN, PRESIDENT
YAKIMA, WASHINGTON

OFFICIAL FILE COPY
O. M. E
RECEIVED JAN 13 1961

DATE	INITIALS	CODE
1-13	gad	VVO
1/13	[illegible]	800
1	Murphy	500
		220

CLAYTON SILVER MINES
ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

NORMAN M. SMITH
OPERATING ENGINEER

January 9, 1961

Mr. George C. Selfridge
Office of Minerals Exploration
Department of Interior
Washington 25, D. C.

Re: Docket No. DMEA 4659
Contract Idm E-1108
Your Letter 1-3-61

Dear Sir:

Clayton Silver Mines is carrying out the provisions of the above contract regarding royalty payments to the government. The procedure is in accordance with the contents of your letter of January 3, 1961 with the exception that royalty payments are made from the Clayton Silver Mines office instead of from the ore buyer's office.

The reasons for this procedure are explained in my letter of February 16, 1959 to A. E. Weissenborn, Executive Office, DMEA, Region I, and the procedure was approved on February 24, 1959 by Mr. Weissenborn and Wing G. Agnew of the U. S. Bureau of Mines.

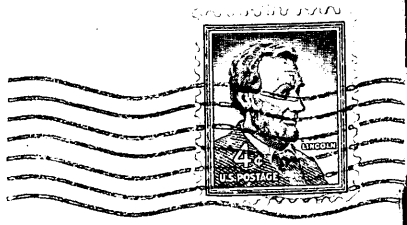
Very truly yours,

Norman M. Smith
General Manager

NMS/m

NORMAN M. SMITH
GEOLOGICAL ENGINEER
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

KELLOGG, IDAHO
JAN 10
12 - M
1961



Mr. George C. Selfridge
Office of Minerals Exploration
Department of Interior
Washington 25, D. C.

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
9/28	alt	500
	[illegible]	500
	Sallen	140
	App'd. Sol. [illegible]	140
	[illegible]	800
10/3	Selfridge	130
1/3/61	on leave	110
		220

JAN 3 1961

Clayton Silver Mines
c/o Norman M. Smith, General Manager
Sunshine Star Route
Kellogg, Idaho

INTERIOR DEPT.
SEP 29 1960
SOLICITOR

Re: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Gentlemen:

FROM SOLICITOR
SEP 30 1960
FOR SIGNATURE

By the terms of the subject Exploration Project Contract, as amended, and with reference to Amendment No. 2 and the clause in Annex I, "Special Undertaking Concerning Royalty," all minerals mined or produced from July 19, 1957, to July 19, 1968, are subject to the Government's percentage royalty as set forth in the contract until the sum of $64,630.20 is repaid to the Government.

Royalty payments should be made to the Field Officer, OME, Region I, South 157 Howard Street, Spokane 4, Washington, by the purchaser, with checks drawn payable to the Office of Minerals Exploration. The purchaser should be advised to deduct royalties from the amount due on each shipment and send the check directly to the Field Officer. Each check should be accompanied by suitable sales evidence - such as copies of settlement sheets - showing the name of the purchaser, the quantity and grade of the products sold, and the price and charges, certified to be correct by the purchaser.

You are requested to notify the Field Officer of any changes in ownership or production rights that may have any effect on the Government's right to its percentage royalty. Your attention is called particularly to Article 2(c) of the contract relating to the Government's right to a percentage royalty on production. If production ceases for any extended period, please notify the Field Officer accordingly at six-month intervals.

Yes. Stop report of examination by Field Div. X-see attached to contract file

RECEIVED
SEP 29 1960
ASSOC. SOLICITOR
MINERAL RESOURCES

Sincerely yours,

/s/ George C. Selfridge

Acting Director (215)

JWAlt/gla
9-28-60

cc to: Director's Reading File
Frank E. Johnson
Review Committee
Harold Kirkemo, USGS
Region I (2)
Docket
Contract Adm. & Audit Division
Code 500

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
December 22, 1960

OFFICIAL FILE COPY
O. M. E.
RECEIVED DEC 27 1960

DATE	INITIALS	NOTE
12/27	cae	210
		~~130~~
12/29	[illegible]	~~800~~
"	alt	500
		110 Lack.
		220

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Enclosed are three copies of an OME final report on the referenced project.

Work completed included deepening the main Clayton shaft 300 feet, cutting a level station, loading pockets, and sump on the 800 level, driving 2,126 feet of drifts and crosscuts, and drilling 470 feet of long holes on the 800 level. The total approved cost of the project was $129,260.40, of which the Government's share was 50 percent or $64,630.20.

No significant discovery resulted from the project work and therefore it is recommended that no discovery be certified. The Government's right to royalty on any ore transported through the DMEA workings is provided for in a special undertaking * concerning royalty in Annex I of the contract.

D R MacLaren
D. R. MacLaren

Enclosures
cc: USGS(SRO)
MacLaren
Director
Econ. Geol.
B&FM

* Note: Royalty agreement (Art. 3 of Amend. 2) is in effect per 8/10/60 memo to MacLaren.
Talbot
12/29/60

NOTE: 1 cy to ea. RHMOTE, USBM, & HAROLD KIRKEMO, USGS - 12/27/60. H Berry

REPORT

UNITED STATES

DEPARTMENT OF THE INTERIOR

OFFICE OF MINERALS EXPLORATION

REGION I

OFFICIAL FILE COPY
O. M.
RECEIVED DEC 27 1960

DATE	INITIALS	

FINAL REPORT

Contract Idm-E1108

by

Donald R. MacLaren
Geologist
U. S. Geological Survey

CLAYTON SILVER MINES
Scott Building
P. O. Box 890
Wallace, Idaho

Docket No.:	DMEA-4659
Commodity:	Lead-Zinc
Contract date:	July 19, 1957
Termination date:	July 19, 1960

CLAYTON MINE
Bayhorse Mining District
Custer County, Idaho

Spokane, Washington

December 1960

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INTRODUCTION	1
Summary	1
Conclusions and Recommendations	2
PROPERTY	2
GEOLOGY	3
Ore Reserves	7
THE PROJECT	8
Summary of Factual Data	10
Future Exploration Possibilities	11

ILLUSTRATIONS

Plate 1.	Plan map of underground workings showing CME work on 800 level	In pocket
2.	Geologic map 800 level	In pocket
3.	Longitudinal section A-A' looking S. 79° W.	In pocket

FINAL REPORT

CLAYTON SILVER MINES
Clayton Mine
Bayhorse Mining District
Custer County, Idaho

Contract Idm-E1108

* * * * * *

INTRODUCTION

This report describes an exploration project at the Clayton mine in the Bayhorse Mining District, Custer County, Idaho, which was conducted jointly by the Clayton Silver Mines and the Defense Minerals Exploration Administration. The project was conducted under the terms of Contract Idm-E1108 which became effective July 19, 1957, and terminated July 19, 1960.

Summary

The purpose of the project was to explore for the downward continuation of two know ore bodies, the north ore body and the south ore body, by deepening an existing two-compartment shaft 300 feet; cutting a level station, sump, and two loading pockets, drifting and crosscutting a total of 2,150 feet and drilling 700 feet of long holes on the 800 level. In addition to the shaft sinking and cutting a station, sump, and loading pockets, 2,126 feet of drift and crosscut and 470 feet of long holes were completed, at a total cost of $129,260.40, of which the Government's share was 50 percent or $64,630.20.

The results of the project were disappointing. A few small pockets of material of marginal grade were found in the 800 drift under the South ore body, none of them of sufficient grade to mine profitably. At his own expense the Operator drove a short crosscut and drift from the shaft on the 700 level in which he encountered a small lens of ore, some of which he has mined. The 800 drift under the north ore body disclosed three zones of weak sulfide mineralization and one zone, about 240 feet long and 16 feet wide, of material below

ore grade. The Operator at his own expense started a raise on the footwall side of the latter zone, but in a vertical distance of some 80 feet it did not encounter anything more than a few scattered thin seams containing spotty sulfide mineralization.

Conclusions and Recommendations

It is concluded that no significant discovery of ore resulted from the contract work, and it is therefore recommended that no discovery be certified.

The Operator will undoubtedly put up raises to the bottom of the ore below the 500 level which he will mine. The Government's right to royalty on any ore which is transported through the DMEA workings, is provided for in a special undertaking concerning royalty in Annex I of the contract.

Expenditure of Government funds for additional exploration at this time is not recommended.

PROPERTY

The property subject to the contract is in parts of secs. 13 and 14, T. 11 N., R. 17 E. B.M., and comprises five patented claims owned by the Operator. The claims are:

Claim	Survey No.
Camp Bird	3196
Camp Bird No. 2	3196
Camp Bird No. 4	3196
Discovery No. 1	3196
Discovery No. 3	3196

Excluded from royalty claims by the Government are all ore bodies known on the contract date to exist above the 500 level.

GEOLOGY

The geology of the area is described by C. P. Ross in U. S. Geological Survey Bulletin 877, 1937, "Geology and ore deposits of the Bayhorse Region, Custer County, Idaho." The U. S. Bureau of Mines examined the property in October 1942 and prepared a War Minerals Report in December 1942. W. E. Newhouse and Cleaves Rogers of the U. S. Geological Survey spent about 6 weeks in the area in the summer of 1943 and described the surface and the first three levels in an unpublished report. In 1948 Irvin Lorraine Tailleur described the geology and ore deposits of the Clayton area in a Masters Thesis presented to Cornell University. These reports were freely used by Howard B. Nickelson and John D. Bartill and in summary are incorporated in an Examination Report, Docket DMEA-4659. The following discussion is taken from the Examination Report.

The oldest formation in the area is the Ramshorn slate which is lower Ordovician in age. It has a thickness of more than 2,000 feet; the uppermost 800 feet is exposed along Kinnikinic Creek and extends southward across the Salmon River. It is predominantly a banded-dark green and purple slate with excellent cleavage and forms a subdued topography with isolated outcrops.

The Ramshorn slate is conformably overlain by the Kinnikinic quartzite which has a thickness of more than 4,000 feet and is the only sedimentary rock in the immediate mine area. The Kinnikinic formation comprises several lithologic types which Tailleur has classified as the Lower member, the Clayton quartzite member, the Ella dolomite member, and the South Butte quartzite member.

The Lower member, having a total thickness of at least 2,000 feet comprises interbedded massive quartzites and thin-bedded dolomite quartzites, dolomites, and shales.

The Clayton member, with a total thickness of 1,580 feet, comprises a few shaly beds at the base but in general is a quartzite with pebbly and feldspathic layers. This member is quite resistant and forms hog back ridges, cliffs, and prominent talus slopes.

The Ella dolomite member, having a measured thickness of 340 feet is the principal ore host rock. It consists wholly of dolomite with varying amounts of silliceous material. Fresh surfaces are dark-gray to black weathering to light-gray and buff.

The South Butte quartzite member is generally a light-colored dense quartzite having a total thickness of 840 feet. Recent fossil discoveries by Ross in the Borah Peak quadrangle suggest that the Lower and Clayton quartzite members are middle Ordovician in age and that the Ella dolomite and South Butte quartzite members may be upper Ordovician.

The Saturday Mountain formation, which overlies the Kinnikinic quartzite, is composed of massive and thin-bedded carbonaceous dolomite and subordinate cherty beds and has a total thickness of about 3,000 feet. It has been assigned to an upper Ordovician age.

Challis volcanics of Oligocene(?) age occur at scattered remnants on the tops of the mountains west of Kinnikinic Creek and a gabbro sill intrudes the Ordovician sediments east of Kinnikinic Creek.

Rocks in the vicinity of the mine have been folded into a series of northwest-trending anticlines and synclines. According to Tailleur, the assymetrical Clayton anticline, located between Kinnikinic and Squaw Creeks and trending N. 20° W., has been pinched against and partially thrust upon the west flank of a regional anticline northeast of Clayton. A high reverse fault has eliminated the syncline that should lie between the two anticlines. This fault dips steeply westward and parallels the trend of the Clayton anticline. The east flank of the Clayton anticline has been broken again by another reverse fault about a mile further to the west.

A zone of normal faulting with two principal planes of movement which form a highly crumpled block between them is located along Kinnikinic Valley and extends south across the Salmon River.

Numerous transverse faults striking N. 70° E. to E. and dipping steeply to the south have displaced the hanging-wall block eastward from a few feet to more than 4,000 feet. Considerable vertical movement along a transverse fault just south of the Clayton mine has caused that part of the Clayton anticline which is south of the fault to plunge 20° to the north.

The intense faulting throughout the area has caused bedding-plane adjustments, drag folding, and bedding-plane shear and breccia zones, especially along the massive quartzite-dolomite contacts. The folding and associated longitudinal and transverse faulting are a result of forces acting from the southwest during the Laramide revolution.

Probably during the early Tertiary epoch of mineralization hydrothermal solutions replaced the dolomite with siderite and sulfide minerals along permeable zones resulting from the folding and faulting, particularly in the Ella dolomite member. After a period of oxidation there was a second period of mineralization probably during the mid-Tertiary epoch of epithermal mineralization. At this time minerals similar to some of those deposited during the first period were deposited but in less abundance.

On the west limb of the anticline, mature erosion prior to the deposition of the Challis volcanics left the deposits deeply oxidized. On the east limb recent erosion at lower altitudes has left the deposits not so deeply oxidized. Deposits such as those at the nearby Red Bird, South Butte, and Rob Roy mines contain mostly oxidized ore, whereas those at the Clayton Silver and Ella mines are primary deposits.

According to Tailleur, quartz was the first mineral introduced; it was shattered after which siderite and pyrite were introduced, followed by another period of slight shattering. Sphalerite, tetrahedrite, galena, chalcopyrite, and polybasite were deposited next, completing the cycle of deposition during the early Tertiary epoch. Pyrite, galena, chalcopyrite, and marcasite were deposited during the mid-Tertiary epoch.

Many of the ore deposits of the area are located near major transverse faults where the beds were crushed by bedding movement, fracturing, and brecciation along drag folds. Shears that intersected the folds acted as feeders for the mineral solutions.

At the Clayton mine ore bodies are found in the Ella dolomite along two shear zones, one striking about N. 45° E. at the south end of the mine, the other striking about N. 10° W. at the north end (pl. 1). The south ore body has an average dip of about 85° SE. and rakes about 68° NE. On the 500 level and all levels above, the stopes have averaged about 200 feet in length. On the 500 level the vein is 6 to 8 feet wide.

On the 800 level (pl. 2) the drift north cut the south vein about 70 feet north of the shaft. The approximate position of the NE end of the south ore body as projected from the 500 level to the 800 level is about 30 feet southwesterly from the drift north. A drift was driven about 136 feet southwesterly along the south vein. Where the southwest drift started, the vein was about 18 inches wide and was peppered with small, scattered grains of galena, but at a distance of about 35 feet the vein pinched out against a fault of small displacement. Near the fault there were small amounts of sphalerite and the galena was very sparse. Nowhere along this vein segment was the material of ore grade. The fault offset the vein about 10 feet to the west. The vein was followed by the drift an additional 101 feet. Throughout this distance the vein was very sparsely mineralized.

Along the north shear zone ore has been mined from two ore bodies, the first one starting about 50 feet north of the shaft, the second one near the north end of the main workings (pls. 1 and 3). The first ore shoot was mined above the 300 level. The shoot pinches out below the 300 level although siderite and very low-grade sulfide

mineralization has been found below this shoot on the 400 and 500 levels. The second ore shoot has been mined from the 100 level to the 500 level. The shoot is about 250 feet long and has an average width of about 35 feet; on the 500 level the width is about 25 feet. This ore body strikes about N. 15° W., dips about 70° NE., and rakes about 50° to the north.

On the 800 level the drift north was driven under the contract for about 1,703 feet on an average bearing of about N. 13° W. There is no evidence of the first ore shoot which would normally project to the vicinity of the 803XCW (pl. 2). At station 809 + 24 feet the drift cut a water course that was open on the west side of the drift but was tight on the east side. For about 10 foot on each side of the shear that forms the water course, the limestone in the back of the drift and on the west wall has been impregnated with zinc and some lead sulfides of subore grade. A raise which was driven by the Operator at his expense from near the breast of the 804XCW exposed the same limestone bed which, in the raise, was not mineralized.

The drift entered the area of the north ore body as projected from the 500 level near station 812. As the drift advanced beyond this point three long holes spaced about 50 to 60 feet apart were drilled into the west wall. Long hole 2W, drilled to a depth of 32 feet, penetrated the ore zone cut by the drift about 50 feet north of station 813. Two sludge samples taken from this hole assayed:

Length (feet)	Ag (oz/T)	Pb (percent)	Zn (percent)
0-16	1.02	1.3	1.7
16-32	0.4	0.2	0.1

Another hole, LH 3W, was drilled northwesterly from about the same location to a depth of about 24 feet. Sludge from 8 to 24 feet assayed 1.72 ounces silver per ton, 1.8 percent lead, and 2.2 percent zinc. A crosscut, 813XCW, was driven 32 feet following hole 3W then turned westerly and extended in barren rock to 73.5 feet. A grab sample of the ore zone, taken from the north wall of the crosscut, assayed 3.68 ounces silver per ton, 4.0 percent lead, and 2.68 percent zinc over a width of 3 feet. Long hole 6W was drilled 42 feet westerly from the face of the crosscut but encountered no mineralized structure. The ore zone came into the drift from the north wall at station 813 + 50 feet and continued the full drift width for a distance of about 75 feet where it ended against a fault striking N. 70° E. and dipping 80° SE.

The vein was offset to the west, but beyond the fault was only about 1-foot wide and of below ore grade. The offset portion of the vein was followed by the north drift for more than 190 feet of which about 175 feet was driven with OME assistance, the balance by the Operator at his own expense.

From the 813XCW the Operator, at his expense, drove a raise on the footwall side of the vein. At the time the mine was last visited this raise had been driven to a height of about 80 feet but had encountered only sparse sulfide mineralization.

Ore Reserves

The best mineralized area on the 800 level is near the north end of the drift north. This is a zone having a maximum length of 240 feet and a maximum width of 19 feet. The raise from the 813XCW should have entered this zone about 30 or 40 feet above the level, but it did not do so. This suggests three possibilities: (1) a fault, not recognized in the raise, offsets the ore shoot above the 800 level; (2) the ore pinches out above the level; and (3) the ore shoot represents the top of a new ore body. There is insufficient data available at present to indicate which of the three possibilities is the case. It is therefore assumed that the ore shoot has a vertical extent of only 50 feet, partly above and partly below the level. There is no data available to indicate how far below the 500 level the known north ore body may extend.

Considering only the 800 level north ore shoot, there is an inferred block of ground 240 feet long, 16 feet wide, and 50 feet high. Using a tonnage factor of 13 cubic feet per ton this block is estimated to contain 14,769 tons with an indicated average grade of about 1.0 ounce silver per ton, 1.1 percent lead, and 1.3 percent zinc. At current market prices this ore body would have an estimated value of $101,750 or about $6.90 per ton. This material could only be mined profitably if the ore body believed to extend below the 500 level or the ore found by the Operator on the 700 level is of sufficient size and grade to carry it. ?

Limited development of the South ore body on the 700 level was done by the Operator at his own expense. Ore has been produced from here and because it is hoisted through the DMEA shaft is subject to royalty. Almost all of the royalty paid through October has been derived from production above the 700 level. The Operator started to mine this ore from one raise and has not developed the body sufficiently to permit an estimate of its size.

THE PROJECT

From 1934 to the end of 1956, the Clayton mine produced 2,601,419 ounces of silver, 909 ounces of gold, 45,320,552 pounds of lead, 14,327,360 pounds of zinc, and 426,674 pounds of copper from 670,963 tons of ore, principally from two ore bodies that had been developed to the 500 level. As both ore bodies were of good size and grade on the 500 level and as there was no information as to how far below the level they might continue, it was decided that exploration on the 800 level was justified.

The DMEA contract on a unit cost basis provided for:

1. Deepening the main vertical shaft 300 feet.
2. Cutting a station on the 800 level
3. Excavating a sump on the 800 level
4. Cutting two loading pockets below the 800 level
5. Drifting and crosscutting 2,150 feet on the 800 level
6. Long hole drilling 700 feet of holes
7. Assaying 200 samples for lead, zinc, and silver
8. An engineer-geologist

The time provided for completing the work was 24 months, but this was extended to 36 months by Amendment No. 2. Work was started July 19, 1957, with the deepening of the shaft. The shaft was driven on a 7' x 12' rock section and had two compartments 4'4" x 4'4" x 4'4" in the clear of timber. Regular shaft sets were 6'6" center-to-center although some were more closely spaced. All shaft timber was 8" x 8" in section.

Sickness and absenteeism during the hunting season delayed the work progress somewhat, but the greatest cause of delay was in excessive amount of water flow. Indeed the water problem became so acute that the shaft sinking was discontinued for a time while the Operator at his own expense cut a station at the 700 level and installed a second pump on the 500 level. Shaft sinking was further delayed nearly 2 months by a premature blast which injured three men. Shaft sinking was finally completed early in January 1959.

Work on the 800 level station was started late in April 1938. The 800 level station was completed June 16, the same day that the premature blast occurred resulting in a work stoppage until August 17, 1938. Work was again interrupted August 25 when two pump motors burned out and a third pump and motor were flooded, permitting the water to rise to the 700 level. After about 10 days this water was pumped out and work on the level was resumed. By February 11, 1939, two loading pockets were completed, a tail drift was driven 35.5 feet to the south, and the north drift was driven 90.5 feet, cutting across the South vein.

The drift to the South ore body was started by March 23, 1939, and was completed at 136.3 feet by July 16, 1939. At the outset, advance of this drift was briefly delayed by excessive water flow. The drift north was advanced a total of 1,702.6 feet under the contract and an additional 40 to 50 feet for the Operator's account. Several water courses were encountered and the excessive initial flow from each caused short delays in the advance. A more serious delay, of about 2 weeks duration, followed the Kobgen earthquake of August 17, 1939. Apparently, all the fissures and water courses were reopened causing a maximum total flow of nearly 1,200 gpm which nearly flooded the three pumps before a fourth could be installed. As the drift advanced, more water courses were cut and during July as much as 1,800 gpm were being pumped.

After the north drift had entered the ore zone as projected from the 500 level, long holes were drilled into both walls. In all 470 feet of long holes were drilled under the contract and many more feet were driven at the Operator's expense.

From the north drift four crosscuts were driven into the west wall and one into the east wall. The total amount of crosscutting was 232.1 feet.

For his own account the Operator drove a raise on the South vein from the 800 to the 500 level and in the footwall of the north vein he started a raise which will be driven to the 500 level.

Summary of Factual Data

Work completed under the contract on a unit cost basis is as follows:

Item	Units authorized	Units completed	Unit cost	Total cost
Shaft sinking	300 ft	300 ft	$149.00/ft	$44,700.00
800 level station cutting	3,000 ft^3	3,000 ft^3	0.62/ft^3	1,860.00
800 level sump	4,000 ft^3	4,000 ft^3	0.62/ft^3	2,480.00
800 level loading pocket	3,000 ft^3	3,000 ft^3	0.62/ft^3	1,860.00
Drifting and crosscutting	2,150 ft	2,126 ft	33.90/ft	72,071.40
Long hole drilling	700 ft	470 ft	1.00/ft	470.00
Sample assays	200	23	3.00 each	69.00
Engineer-geologist	23 mo	23 mo	250.00/mo	5,750.00
Total cost				$129,260.40

Total amount of contract	$130,840.00
Government participation at 50 percent	65,420.00
Total amount spent	$129,260.40
Government participation	64,630.20
Total amount unexpended	$ 1,579.60
Government's share unexpended	789.80
Total value of production subject to royalty 10/19/60	$ 42,603.77
Total royalty received 10/31/60	2,130.18

The Government has no equity in equipment used on the project.

Future Exploration Possibilities

The raise from the 813XCW did not encounter the mineralized zone found on the 800 level. It would be advisable to raise from the 800 north drift in the mineralized zone. If the zone continues to a height of 100 feet and the values improve, drifts should be run north and south from the raise to determine the limits of the zone at that horizon and long holes or short crosscuts should be driven east and west to determine the width.

Three diamond drill holes should be drilled downward to the east, northeast, and southeast from the 813XCW to test for the downward continuation and any increase in values below the level.

If the raise from the 700 level continues in ore, drifts from the raise about 50 feet above the level should be driven to the southwest and the northeast to test the length of the ore shoot at that horizon. The Government should not participate in this exploration.

Enclosures
Distribution:
OMI(3)
USGS(SRO)
Docket
MacLaren

Official

~~EXTRA~~ COPY O. M. E		
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DATE		CODE
11/7	alt	500

So. 157 Howard Street
Spokane 4, Washington
November 3, 1960

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: DMA-42 (Manganese)
The Taylor-Knapp Company
True Fissure Mine
Granite County, Montana
Contract Idm-E9

file 4659.

Enclosed are three copies of the OME, Region I, final report on the cited project.

I will start to write the Clayton Silver final report next, but as I intend to be in the field the week of November 14, 1960, it will be the end of November before it is mailed.

D. R. MacLaren

Enclosures

cc: DRF
Hobbs

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
October 18, 1960

OFFICIAL FILE COPY
O. M. E.
RECEIVED OCT 20 1960

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10-20	gad	220
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10/20	[illegible]	800
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Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Every effort will be made to have the subject final report in the mail by November 25, 1960.

D R MacLaren
D. R. MacLaren

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
9/22	alt	500
	Amarnell	500
9/22	Tafflert	800
10/13	GCS	130
"	Johnson	110
10-13	gad	220
		500

OCT 13 1960

Memorandum

To: Acting Field Officer, Region I

From: Chief, Division of Field Operations

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

With reference to the subject contract, please advise us as to when we may expect to receive your final report. As the contract was terminated on July 19, 1960, under Amendment No. 2, we are anxious to close our files on this project.

/s/ George C. Selfridge

JWAlt/gla
9-22-60
cc to: Director's Reading File
Review Committee
Docket
Chron

43683

Mine 12)

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O. M. E.
RECEIVED SEP 23 1960

DATE	INITIAL	
9-23	gad	800
9/29	[illegible]	800
"	[illegible]	700

So. 157 Howard Street
Spokane 4, Washington
September 20, 1960

Clayton Silver Mines
Scott Building
P. O. Box 890
Wallace, Idaho

Re: DMEA-4659 (Lead-Zinc)
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Gentlemen:

Enclosed for your information and files is a Report of Review in lieu of a final audit dated September 15, 1960, for July 1957 to July 1960, inclusive, covering a lead-zinc project at the Clayton mine, Custer County, Idaho.

The audit discloses that $1,661.12 is payable and will be scheduled for payment in the near future.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

Enclosure

cc: Fiscal Section w/orig. of Report of Review, orig. and 2 copies of final (July 1960) MF-104 & MF-104A, and Narrative Report
Contract Admin. & Audit Div., OME
OME(2)
DRF

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
9/15	cac	220
		500

SEP 15 1960

Memorandum

To: Acting Field Officer, Region I

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

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-81108

As requested by your September 13 memorandum a Report of Review, in lieu of a final audit of the subject project, has been prepared. The original and two copies are attached.

If you concur in the facts as stated in this Report of Review, please make the distribution prescribed by section 4 of OME Circular 2, dated February 17, 1960. If for any reason you do not concur please return the original and both copies to this Division with your comments.

The originals of the Operator's final (July 1960) Forms MF-104 and MF-104A, which were submitted with your September 13 memorandum, are returned herewith.

Attachments

EDTalbert/ama
September 15, 1960

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

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
September 13, 1960

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 16 1960

DATE	INITIALS	
9-16	gad	VVO
9/16		800
		500

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: Transmittal of Operator's Final Report
DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Enclosed are two copies of an acceptable Operator's final report on the subject project. The report consists of two pages and one map.

Item 5, Exhibit A states: "On the 800 level, drift and crosscut for not to exceed an aggregate of 2,150 feet." Drifting and crosscutting on the 800 level completed was 2,126.0 feet. A pseudo-certification, effective July 19, 1960, provided the contract was not completed by that date, is incorporated in Amendment No. 2. Also, under Annex I of the contract, Special Undertaking Concerning Royalty, provides for royalty payment to the Government on any ore transported or removed through any workings driven under this contract.

Also enclosed are two copies of our memorandum of this date to the Contract Administration and Audit Division stating that a Report of Review in lieu of a final on-site audit is in order and requested.

D. R. MacLaren

D. R. MacLaren

Enclosures

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 13 1960
DATE

So. 157 Howard Street
Spokane 4, Washington
September 13, 1960

Memorandum

To: Chief, Contract Administration & Audit Division

From: Acting Field Officer, Region I

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Work under the subject contract was terminated effective July 19, 1960, under the terms of Amendment No. 2.

The number of units of work completed by the Operator and accepted as conforming to contract specifications were:

Shaft sinking	300	feet
800 level station cutting	3,000	cubic feet
800 level sump	4,000	" "
800 level loading pocket	3,000	" "
Drifting and crosscutting	2,126	feet
Long hole drilling	470	"
Samples assayed	23	
Engineer-geologist	23	months

An acceptable engineering and geological report was received from the Operator on September 6, 1960.

A Report of Review, in lieu of a final audit is in order and requested. For this purpose the original copies of the final (July 1960) MF-104 and MF-104A are attached.

Enclosures
cc: CMK(2)
MacLaren
DRF

D. R. MacLaren

Clayton Silver Mines

Docket No. DMEA 4659
Contract No. RECM. E-1108

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 16 1960
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SEP 6 1960
U. S. O. S. SPOKANE WASH

FINAL REPORT

This project was begun July 19, 1957 and ended July 19, 1960.

A summary of the progress made during the three-year period is as follows:

		DMEA Participation
Shaft sinking		
1957 - 59	303.9 feet	300.0 feet
Excavation		
800 station	3,050 cu. ft.	3,000.0 cu. ft.
800 pocket	3,000.0 cu. ft.	3,000.0 cu. ft.
800 sump	7,288.0 cu. ft.	4,000.0 cu. ft.
Drifting and Crosscutting		
800 S tail drift	35.0 ft.	35.0 ft.
800 S drift	139.0 ft.	136.0 ft. 134.3
803 N. W. X-Cut	45.0 ft.	45.0 ft.
809 N. W. X-Cut	46,0 ft.	46.0 ft.
813 W. X-Cut	75.8 ft.	75.8 ft. 75.5
814 W X-Cut	49.6 ft.	49.6 ft.
814 E X-Cut	36.0 ft.	36.0 ft.
800 N. Drift	1,702.6 ft.	1,702.6 ft.
Totals	2,129.0 ft.	2,126.0 ft.

A summary of the costs are as follows:

Shaft Sinking		
Actual cost 303.9 ft. @ $291.13/ft.		$88,475.74
Operator's original estimate	$245.70/ft.	
Government's estimate	149.00/ft.	
Excavation		6,200.00
Drifting and Crosscutting		
Actual cost 2,129.0 ft. @	$50.58/ft.	$107,690.90
Operator's original estimate	45.55/ft.	
Government's estimate	33.90/ft.	
Long-holing		470.00
Assaying		184.00
Total direct cost of project		203,020.64
Indirect cost - Engineering		5,750.00
Total cost of project		$208,770.64

Of this total the government participated in the amount of $64,630.20 or 31%.

As anticipated by the operator considerable difficulties were faced by the management when large volumes of water were encountered from time to time in the shaft and in drifting. The most difficult time was experienced in August 1959 when the Yellowstone earthquake severely shook and jarred the mine workings to increase the then large volume of water already being pumped by some 300 gallons a minute. It was only by adding a six-inch water column from the 800 level to the surface and two additional pumps with motors that the mine was saved from flooding.

At near survey station 815 a water course was tapped with pressure estimated at about 150 p.s.i. Draining of this water delayed progress about three weeks.

Evaluation of the project.

The 800 south drift was run 139 feet along the south ore vein. Some galena mineralization was observed but no ore was found on the 800. A raise was run on this vein from the 800 to the 700 (150' above). The raise found no ore.

The 800 North Drift was run over 1,700 feet northward. The course of the drift was practically straight at N 11° W from the 800 shaft station to survey station 814. Near this point lead-zinc ore of a good grade (8% lead, 3% zinc, 8 oz. silver) was encountered. The length of this ore, followed due north, was 80 feet, it's width approximately 10 feet. The size of this ore body on the 800 is considered very small and disappointing. On driving the 800 on northward a narrow (3' to 5') mineralized band of rock was followed an additional 175 feet. The value of the muck broken from this work is approximately 2% lead and 8 oz. silver. However, volume is too small to mine.

A raise is being driven from the 800 level to the 500 level at 813 Crosscut. The muck from this raise is waste. Some mineralization of galena is observed in the raise but not good enough to be ore.

Most probably some ore will be encountered beneath the 500 level. There are also possibilities of finding ore on the 800 level either on farther north or in the walls along the present 800 drift.

A plan map of the Clayton Mine workings showing the 800 level accompanies this report.

Submitted by

Norman M. Smith

Norman M. Smith, Manager
CLAYTON SILVER MINES

Dated Sept 2, 1960

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 1 1960

DATE	INITIALS
8-19	gad
8/19	[illegible]

So. 157 Howard Street
Spokane 4, Washington
August 15, 1960

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Engineering Office
Sunshine Star Route
Kellogg, Idaho

Re: DMEA-4659 (Lead-Zinc)
Clayton Mine
Custer County, Idaho
Contract No. Idm-R1108

Dear Mr. Smith:

Thank you for your letter of August 6 regarding a measurement discrepancy in the 800 N drift. I expect to visit the property the 26th of this month, at which time I will check with Mr. Legard the final measurement to the face as of July 19, 1960, the effective termination date under the terms of Amendment No. 2.

If the authorized drifting and crosscutting was not completed as of July 19, 1960, the pseudocertification in item 3 of Amendment No. 2 will be effective. In any case under Annex I of the contract, royalty is due the Government from any production transported through the DMEA workings.

We will appreciate receiving your final account and final report at your earliest convenience so that we may have a final audit made and close our books on this contract.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

cc: OME(3)
CPF
DRF

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
8/10	[illegible]	500
	[illegible]	500
8/10	Talbut	800
8/10	Lefingwell Bane	130
"	Johnson	1104
8-10	gad	220
		500

AUG 10 1960

Memorandum

To: Acting Field Officer, Region I

From: ACTING Chief, Division of Field Operations

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

With reference to your memorandum of August 4 regarding the Operator's August 1 letter, there is no obligation for an operator to sign any amendment if it does not see fit to do so. On our part, we never extend royalty repayment periods for a fraction of a year as the Operator seems to desire.

Since you appear to be dubious as to the value of any future work, we may as well consider the contract as having been terminated July 19, 1960, under the provisions of Amendment No. 2. We are not clear regarding your statement, "This question is important as it would determine whether or not the contract was completed on or before July 19, and hence, whether or not the pseudocertification in item 3 of Amendment No. 2 is effective." Actually, as we understand the facts, the project work was incomplete to the extent of some 125 feet of drifting. Hence, there is no decision for us to make; the provisions of Amendment No. 2 become effective.

Please note that this contract, under Annex I, contains a royalty agreement providing for toll payments.

Please notify the Operator that it should submit its final account and final report at its earliest convenience.

/s/ W. R. Griswold

(GAB)

JWAlt/gla
8-10-60
cc to: Director's Reading File
Review Committee
CA&A Division
Docket
Chron

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
August 4, 1960

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 8 1960

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	Act	

Memorandum

To: Chief, Division of Field Operations, OME

From: Acting Field Officer, Region I

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Enclosed are two copies of a letter dated August 1, 1960, from the subject Operator and our acknowledgment, along with the original and four copies of a proposed Amendment No. 3 which he returned unsigned. Also enclosed are two copies of a letter dated August 4, 1960, to R. J. Legard, General Superintendent, regarding a 5.1-foot discrepancy between our measurements of crosscutting and drifting and the amount vouchered.

As our measurements are made with a cloth metallic tape and the Operator's with a steel tape and plumb lines when he surveys his station points, the difference could be due to cumulative error, or it could be due to misreading a measurement. Mr. Legard should be able to pinpoint where the difference is and I will make a check measurement on my next inspection.

As the Operator does not wish to accept the amendment, the contract ended July 19, 1960, under the terms of Amendment No. 2. At that time there remained, according to my records, something over 125? feet of authorized drifting and crosscutting. In view of the possibilities mentioned in the fourth paragraph of my interim inspection report dated August 1, 1960, there is some question as to whether or not further drifting is warranted. This question is important as it would determine whether or not the contract was completed on or before July 19, and hence, whether or not the pseudocertification in item 3 of Amendment No. 2 is effective. Frankly, I doubt that further drifting will prove successful, but there is a possibility that it might. I would therefore appreciate hearing of your decision on this matter.

D. R. MacLaren

D. R. MacLaren

Enclosures

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RECEIVED AUG 8 1960		
DATE		CODE
8-8	gad	220
8/8	400	800
		500

So. 157 Howard Street
Spokane 4, Washington
August 4, 1960

Mr. Norman M. Smith
Clayton Silver Mines
Engineering Office
Sunshine Star Route
Kellogg, Idaho

Re: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Smith:

This will acknowledge receipt of the unsigned original and four copies of a proposed Amendment No. 3 which you returned with your letter of August 1, 1960.

We are sorry that you do not find the proposed amendment acceptable. The clause extending the royalty payment period when contract termination dates have been extended has long been a DMEA policy, in order that the length of time in which the Government's right to receive royalty payments shall not be less than the potential production period remaining after the original completion date of the contract.

As of July 26, 1960, the date I last visited the property, our records show a total of 2,022.9 feet of drifting and crosscutting on the 800 level, whereas your June voucher showed a total claimed of 2,028 feet. Enclosed is a copy of a letter I have written to R. J. Legard asking him to check our figures with his so that the discrepancy can be rechecked and adjusted during my next visit.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

Enclosure
cc: OME(2)
DRM
MacLaren

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 8 1960

DATE		
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8/8	[illegible]	800
		500

So. 157 Howard Street
Spokane 4, Washington
August 4, 1960

Mr. R. J. Legard
General Superintendent
Clayton Silver Mines
Clayton, Idaho

Re: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Legard:

As of July 26, 1960, the date of my last visit to the property, our records show a total drift and crosscut footage completed on the 800 level under the DMEA contract as being 2,022.9 feet. The amount claimed in the June voucher is 2,028 feet, a difference of 5.1 feet.

According to our records, advance in the 800 north drift was as follows:

IP	- Sta. 807	449.7	feet
Sta. 807	- 808	226.4	"
808	- 809	156.5	"
809	- 810	186.0	"
810	- 811	125.0	"
811	- 812	110.0	"
812	- 813	149.5	"
813	- 814	74.8	"
814	- 815	42.2	"
815	- 816	54.9	"
816	- Face 7/26/60	42.5	"
Total (800N Drift)		1,617.5	feet as of July 26, 1960

Total drifting and crosscutting on the 800 level according to our records are as follows:

South tail drift	35.0	feet
Southwest drift	136.3	"
803 XCW	45.0	"
804 XCW	40.5	"
813 XCW (formerly 805)	63.0	"
814 XCE	36.0	"
814 XCW	49.6	"
North drift	1,617.5	"
Total drifting and crosscutting	2,022.9	feet as of July 26, 1960

As this is 5.1 feet less than the total vouchered for June, I would appreciate it if you would check the above measurements, made by different people with a cloth metallic tape, against your surveyed distances so that the discrepancy can be rechecked and adjusted during my next inspection.

Sincerely yours,

D. R MacLaren
Acting Field Officer, OME
Region I

cc: Norman M. Smith
General Manager
Kellogg, Idaho
OME(2)
MacLaren
DRF

One

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 8 1960

DATE	INITIALS	
8-8	gad	VVO
8/8	[illegible]	800
		500

CLAYTON SILVER MINES
ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG IDAHO

August 1, 1960

Mr. D. R. MacLaren
Mining Field Officer, OME, Terminal
[illegible] Howard Street
Spokane 4, Washington

Re: Docket DMEA 4659
Contract No. Idm. E-1100

Dear Mr. MacLaren:

Enclosed I am returning unsigned the original and four copies of the proposed Amendment No. 3 to our contract.

I had asked for and was granted a three-month extension. This is very satisfactory. However, in this amendment the maximum period for deferred payment was increased by one full year. This is not satisfactory.

I have not yet heard from the mine on July footages. It is possible that most of the contract has been fulfilled by the expiration date. In that case we will close this project up and make our final report.

Sincerely yours,

Frank H. SMITH
General Manager

FHS
m

Enclosures

cc: Mr. R. J. Legard

RECEIVED
AUG 3 1960
U.S.B.M.
SPOKANE, WASH.

Government's Copy

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

AMENDMENT NO. 3

J. Lynch
App'd. Sol. Off.

It is agreed this 20th day of July, 1960, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and Clayton Silver Mines, hereinafter called the "Operator," that Exploration Project Contract No. Idm-E1108, Docket No. DMEA-4659, dated July 19, 1957, as amended, is further amended as follows:

1. The date fixed in Amendment No. 2 for the completion of the work is further extended to October 19, 1960.

2. The maximum period for royalty payments provided for in Amendment No. 2 is increased from 11 years to 12 years from the date of the contract.

3. Effective October 19, 1960, if the contract is not completed on or before that date, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer (for example, if the Operator either transfers or fails to retain its interest in the land), shall pay to the Government the royalty on production provided for in the contract in the same manner and amount, for the same period, and subject to the same conditions provided for in the contract, as amended, as if certification of discovery or development had been made, such certification being hereby waived by the Operator. In addition, all rights of the Government provided for in the contract with respect to a certification of discovery or development, percentage royalty and liens to secure payment thereof, reports (including preservation of Operator's records), accounts, audits, and the right to recover any overpayments are hereby preserved.

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 fixed unit cost of any item of work.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By Frank E. Johnson
Acting Director, Office of
Minerals Exploration

CLAYTON SILVER MINES

By _____

Title _____

Operator's, Fiscal Sections, Audit's, Field Office's, and "extra" copies destroyed.
gla 8/10/60

July 14, 1960

DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Contract Idm-E1108 Custer County, Idaho

JUSTIFICATION FOR AMENDMENT NO. 3

The Operator has requested an extension of completion time of ninety days, or until October 19, 1960, to complete the work under the terms of the contract. The reason for this request is that the operations on the 800 level have been delayed by excess water flow. The Operator states that he will be able to complete the work in this requested extended time.

By MF-104 report for the month of May 1960, the Operator has completed 1,949.6 feet of drifting and crosscutting. The contract allows 2,150 feet of crosscutting and drifting; therefore, there remains 200.4 feet of crosscutting and drifting to complete this work. The total amount expended as of May 31 is $123,280.44; the total amount of the contract is $130,840.00; therefore, there remains $7,559.56 not expended (subject to audit).

The Acting Field Officer, Region I, has endorsed the request of the Operator for an extension of the completion time. A pseudo-certification to take effect on the new completion date will protect the Government if it should happen that the work is not completed and is not certifiable.
*

We are in accord with the Operator's request and the Acting Field Officer's recommendation that the completion time be extended to October 19, 1960.

J. W. Alt

J. W. Alt

* An inspection of the property was made by the Acting Field Officer on June 3, 1960. At that time the area now being explored was in

the projected position of the ore from the upper levels. Therefore, it is estimated to continue the exploration on the 800 level as this area should be explored.

OFFICIAL FILE COPY
O. M. F.
RECEIVED AUG 2
DATE

8-2	gad	200
8/4		800
	alt	500

Mrs 12

So. 157 Howard Street
Spokane 4, Washington
July 28, 1960

Mr. Norman M. Smith
Clayton Silver Mines
Engineering Office
Sunshine Star Route
Kellogg, Idaho

Re: DMEA-4659 (Lead-Zinc)
Clayton Mine
Custer County, Idaho
Contract No. Idm-X1108

Dear Mr. Smith:

Enclosed are the original and four copies of a proposed Amendment No. 3 to your DMEA contract in accordance with your request of July 5, 1960.

If the terms and conditions of the proposed amendment meet with your approval, please sign all five copies, retain the one marked "Operator's Copy," and return the other four to this office.

If the proposed amendment is not satisfactory, please return all five copies, unsigned, to this office with a statement of your objections.

Sincerely yours,

D. R. Maclaren
Acting Field Officer, OME
Region I

Enclosures

cc: OME(2)
Maclaren
DKF

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
7/20	GED	500
	Swanson	500
7/20	Talbot	800
7/20	[illegible]	130
"	James	110
7-20	gad	220
		500

JUL 20 1960

Memorandum

To: Acting Field Officer, Region I

From: Chief, Division of Field Operations

Subject: D MEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Enclosed are the original and four copies of a proposed Amendment No. 3 (one page), signed by the Acting Director for the Government.

This amendment is in accordance with the request of the Operator, dated July 5, 1960, and Miss Smelzer's memorandum of July 7.

If the proposed amendment meets with your approval, kindly present it to the Operator for signature. Otherwise, if any proposed changes lie beyond your delegated authority, please return all copies, unsigned, with your comments.

When it is executed, the Operator should retain its copy, the Field Office's copy should be retained by your office, and the Government's, Fiscal Section's, and Audit's copies should be returned to this office.

/s/ George C. Selfridge

Enclosures

JWAlt/gla
7-20-60
cc to: Director's Reading File
Review Committee
Harold Kirkemo, USGS
Docket
Chron

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
7/14	Alt	500
	Griswold	140

INTERIOR DEPT.
JUL 15 1960
SOLICITOR

July 14, 1960

Memorandum

To: Associate Solicitor, Division of Mineral Resources

From: W. R. Griswold, Chief, Division of Minerals

Subject: DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract Idm-E1108

Please prepare Amendment No. 3 for the cited contract. A draft of the proposed amendment is attached to this memorandum.

Attachment

W. R. Griswold

JWAlt/gla
cc to: Docket
Chron

43683

DRAFT
7/14/60
JWAlt/gla

DOCKET COPY

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

AMENDMENT NO. 3

It is agreed this ______ day of ______________, 1960, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and Clayton Silver Mines, hereinafter called the "Operator," that Exploration Project Contract No. Idm-E1108, Docket No. DMEA-4659, dated July 19, 1957, as amended, is further amended as follows:

1. The date fixed in Amendment No. 2 for the completion of the work is further extended to October 19, 1960.

2. The maximum period for royalty payments provided for in Amendment No. 2 is increased from 11 years to 12 years from the date of the contract.

3. Effective October 19, 1960, if the contract is not completed on or before that date, the Operator, ~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxx~~ as principal if the Operator is the producer, or as surety if the Operator is not the producer (for example, if the Operator either transfers or fails to retain its interest in the land), shall pay to the Government the royalty on production provided for in the contract in the same manner and amount, for the same period, and subject to the same conditions provided for in the contract, as amended, as if certification of discovery or development had been made, such certification being hereby waived by the Operator. In addition, all rights of the Government provided for in the contract with respect to a certification of discovery or development, percentage

royalty and liens to secure payment thereof, reports (including preservation of Operator's records), accounts, audits, and the right to recover any overpayments are hereby preserved.

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 fixed unit cost of any item of work.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By_____
Acting Director, Office of
Minerals Exploration

CLAYTON SILVER MINES

By_____

Title_____

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
July 7, 1960

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUL 12 1960

DATE	INITIALS	CODE
7-12	gad	110
		130
"	Cet	500

Memorandum

To: Chief, Division of Field Operations, OME

From: Acting Field Officer, Region I

Subject: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Custer County, Idaho
Contract No. Idm-E1108

In Mr. MacLaren's absence, I am forwarding to you two Thermofax copies of a letter from Norman M. Smith, General Manager, Clayton Silver Mines, dated July 5, 1960, requesting an extension of the contract period in order to complete the project.

As Mr. MacLaren would be in accord with the requested extension, it is requested that an amendment be prepared extending the completion date of the contract work under Article 1(a) for 90 days or to October 19, 1960.

Mary E. Smelser
Mary E. Smelser
For: D. R. MacLaren

Enclosures

CLAYTON SILVER MINES
ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUL 19 1960

DATE	INITIALS	CODE

July 5, 1960

Mr. D. R. MacLaren
Acting Field Officer
OME Region I
So. 157 Howard Street
Spokane 4, Washington

Re: Docket DMEA-4659
Contract No. Idm. E-1108

Dear Mr. MacLaren:

Article 1 (a) of DMEA Contract No. E-1108 as amended provides work be completed by July 19, 1960.

Recently on the 800 level we have been delayed by excess water flow. We will need an extension of time to complete the project.

In less than ninety days we should have this project completed.

It is therefore requested that a ninety-day extension be granted to October 19, 1960.

Very truly yours,

NORMAN M. SMITH
General Manager

NMS
m

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
6/9	[illegible]	500
6/9	[illegible]	800
6/10	[illegible]	120
6/10	[illegible]	110
6-10	gad	220
		500

JUN 10 1960

Mr. Norman M. Smith
Clayton Silver Mines
Engineering Office
Sunshine Star Route
Kellogg, Idaho

Re: IMKA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Smith:

We have a copy of your June 1 letter to Mr. D. R. MacLaren regarding copies of Forms MF-104 and MF-104A. As you request, we are enclosing copies covering your February-March and your April operations.

It will not be possible to forward you copies each month as in the past. This should not be necessary. At the time you prepare these reports you should make copies for your own files. If any correction is subsequently made by the Government, you will receive an Administrative Suspension Statement such as was sent you covering your April report.

Sincerely yours,

George C. Selfridge
Acting Director

Enclosures

cc to: Clayton Silver Mines
Scott Building
P. O. Box 890
Wallace, Idaho

WRGriswold/gla
6-9-60
cc to: Director's Reading File
Region I (2)
Docket
Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
June 3, 1960

OFFICIAL FILE COPY O. M. E. RECEIVED JUN 6 1960		
DATE	INITIALS	CODE
6-6	gad	VVO
6/6	[illegible]	800
6/6	[illegible]	500
	(alt)	

Memorandum

To: Chief, Division of Field Operations, OME

From: Acting Field Officer, Region I

Subject: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Custer County, Idaho
Contract No. Idm-E1108

Enclosed are three copies of a letter dated June 1 from Mr. Norman M. Smith in regard to the above-referenced contract, and our reply of this date.

OME Circular 1, paragraph 2, Payments, lists the distribution of all operator's monthly reports (voucher, progress report and narrative). It seems that it has been the practice of the Certifying Officer, Region I, since early 1952 to send to the operator a copy of the MF-104 showing the corrections and deletions made so that he may see what has been disallowed or what changes have been made and then correct his records accordingly.

As Mr. MacLaren is in the field, I am forwarding Mr. Smith's letter to you for reply.

Mary L. Smelser

Mary L. Smelser
For: D. R. MacLaren

Enclosures

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUN 6 1960

DATE	INITIALS	CODE

So. 157 Howard Street
Spokane 4, Washington
June 3, 1960

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Scott Building
P. O. Box 890
Wallace, Idaho

Re: Docket No. DMEA-4659 (Lead Zinc)
Clayton Silver Mines
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Smith:

In the absence of Mr. MacLaren I am acknowledging receipt of your letter of June 1. Effective March 1, 1960, all contract payments and collections are being made by the Fiscal Section, Division of Administrative Services, Office of the Secretary, Department of the Interior, Washington 25, D. C.

I am forwarding copies of your letter to our OME Washington office for reply.

Sincerely yours,

Mary L. Smelser
Secretary to
D. R. MacLaren
Acting Field Officer, OME
Region I

cc: OMP(3) w/3 cys incoming
and reply
DRF

Mr. D. E. [illegible]
Acting [illegible]
E. 157 [illegible]
Spokane 4, [illegible]

[illegible] DMRX Docket No. [illegible]
Contract No. [illegible]

Dear Mr. Maclaren:

Previous to March 1960, a copy each of Forms MF-104 and MF-104A was returned to us (operator) along with blanks for the following month. We have sufficient blanks to complete the project but we need copies of the reports for our files. Would you arrange to supply us with copies for March and April as well as all following monthly reports.

Sincerely yours,

NORMAN H. SMITH

[illegible]
m

RECEIVED
JUN 3 1960

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 16 1960

DATE	INITIALS	CODE
5-16	gad	VVO
5/16	[illegible]	800
"	alt	500

So. 157 Howard Street
Spokane 4, Washington
May 11, 1960

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Work Authorization
Re: Docket No. DMEA-4699 (Lead-Zinc)
Clayton Silver Mine
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Smith:

Item 6, Exhibit A, of the referenced contract requires prior Government approval of the location, direction, and extent of long drilling. This was discussed with personnel at the mine during an interim inspection ~~report~~ in December and authorization was given to drill either or both walls after the drift entered the ore zone as projected from the 300 level. Holes were not to be closer than 40 feet or longer than 50 feet. It was stated that holes at right angles to the drift would be more desirable, but to avoid cutting stations, they could be drilled at an angle.

I regret that written confirmation of the oral authorization was not made at the time.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

cc: OME(3)
USBM
MacLaren
DRF

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
August 17, 1959

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, OME

From: A. E. Weissenborn, Executive Officer, OME Field Team Region I

Subject: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mines
Custer County, Idaho
Contract No. Idm-E1108

Enclosed are the Government and Audit copies of Amendment No. 2 to this contract. By copy of this memorandum other copies of the amendment are being distributed.

A. E. Weissenborn

Enclosures
cc: USBM(2)
USBM(AD) w/F.O. cy of amendment
Sample

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 20 1959

DATE	INITIALS	CODE
8-20	gad	220

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 14 1959

DATE	INITIALS	CODE
8/14	gad	VVO
8/14	[illegible]	800
~~8/17~~	R	~~800~~

So. 157 Howard Street
Spokane 4, Washington
August 11, 1959

Mr. Norman N. Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mine
Custer County, Idaho
Contract No. Ida-E1108

Dear Mr. Smith:

Enclosed are the original and four copies of a proposed Amendment No. 2 to your DMEA contract in accordance with your request of July 10, 1959. Item 3 of the proposed amendment is a pseudo-certification which has been included in case the work is not completed by July 19, 1960, and there should be insufficient data at that time to make a certification.

If the terms and conditions of the proposed amendment meet with your approval, please sign all five copies, retain the one marked "Operator's copy," and return the other four to this office.

If the proposed amendment is not satisfactory, please return all five copies, unsigned, to this office with a statement of your objections.

Sincerely yours,

A. E. Weissenborn
Executive Officer, OME
Field Team, Region I

cc: OME(2)
OFBM(2)
OBM(A[illegible])
[illegible]ple

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
7/31	Klugescheid	500
7/31	[illegible]	500
7/31	Talbot	800
8/4	[illegible]	130
"	Jones	110
		220
8/4	gad	500

AUG 4 1959

Memorandum

To: Executive Officer, GME Field Team, Region I

From: Chairman, Operating Committee, GME

Subject: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton ~~Silver~~ Mine
Custer County, Idaho
Contract No. Idm-E1108

We are enclosing the original and four copies of a proposed Amendment No. 2 (2 pages) to the cited contract, signed by the Acting Director for the Government. We are also enclosing two extra copies for the use of the Field Team.

This amendment is in accordance with the request of the Operator, dated July 10, 1959, and with your recommendations, dated July 14.

If the proposed 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 recommendations concerning any modifications.

We have included a pseudo certification in case that the work is not completed on time and there should be not sufficient data at that time to make a certification.

George C. Selfridge (for)

APPROVED:

P. F. Yopes
Member, Bureau of Mines

Harold Kirkemo
Member, Geological Survey

enclosures

WPKlugescheid/gla 7-31-59
cc to: Director's Reading File
Operating Committee
Mr. Bishop, USBM
Mr. Kirkemo, USGS
Docket
Chron

43683

WRZimwald

July 23, 1959

Memorandum for the Files

From: W. P. Klugescheid, Mining Engineer
Division of Minerals, OME

Subject: Justification for Amendment No. 2 for Docket No. DMEA-4659, Clayton Silver Mines, Clayton Mine, Custer County, Idaho, Contract No. Idm-E1108, Lead-Zinc.

The Operator requested an extension of completion time of one year as the greater part of the exploratory driving is still to be done. The Operator has had difficulty with a very heavy flow of water (up to 800 gallons per minute) during the sinking of the shaft and was flooded out several times.

The Field Team endorsed the request and as this will give time for completing the operations unless further difficulties are encountered, it would be to the advantage of the Government to have the work completed. A pseudo certification to take effect on the new completion date will protect the Government if it should happen that the work is not completed and is not certifiable..

W. P. Klugescheid

W. P. Klugescheid

WRK/er
CC: Docket
Dir Read File
Chron.

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
7/23	Kluge Clayton	

500

July 23, 1959

Memorandum

To: Associate Solicitor, Division of Minerals Resources

From: Chief, Division of Minerals, OME

Subject: Preparation of Amendment No. 2 for Docket No. DMEA-4659, Clayton Silver Mines, Clayton Mine, Custer County, Idaho, Contract No. Idm-E1108, Lead-Zinc.

Will you kindly prepare Amendment No. 2 for the cited contract in accordance with the following draft:

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

AMENDMENT NO. 2

It is agreed this _____ day of _____, 1959, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government", and Clayton Silver Mines, an Arizona corporation, hereinafter called the "Operator", that Exploration Project Contract No. Idm-E1108, Docket No. DMEA-4659, dated July 19, 1957, as amended, is further amended as follows:

1. The date fixed in the Contract for completion of the work is extended from July 19, 1959 to July 19, 1960.

8623

2. The maximum period for royalty payments provided for in Article 6(b) of the Contract is increased from 10 years to 11 years, from the date of the Contract.

3. Effective July 19, 1960, if the Contract is not completed on or before that date, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer (for example, if the Operator either transfers or fails to retain its interest in the land), shall pay to the Government the royalty on production provided for in the Contract, in the same manner and amount and for the full period provided for in the Contract, as amended, as if certification of discovery or development had been made, such certification being hereby waived by the Operator. In addition, all rights of the Government provided for in the Contract with respect to a certification of discovery or development, and all rights of the Government as to reports (including preservation of the Operator's records), audit, and recovery of any overpayment, are preserved.

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 fixed unit cost of any item of work.

Executed in quintuplicate the day and year first above written.

CLAYTON SILVER MINES

BY_____

THE UNITED STATES OF AMERICA

By_____
Acting Director, Office of
Minerals Exploration

W. R. Griswold
W. R. Griswold

WPKlugescheid/er 7-23-59
CC: Docket
Dir Read File
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington

July 14, 1959

OFFICIAL FILE COPY O. M. E. RECEIVED JUL 20 1959		
DATE	INITIALS	CODE
7-20	gad	220
		130
~~7-21~~	~~K~~	~~600~~

Memorandum

To: Chairman, Operating Committee, OME

From: OME Field Team, Region I

Subject: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Silver Mine
Custer County, Idaho
Contract No. Idm-E1108

Enclosed are three copies of a letter dated July 10, 1959, from Norman M. Smith, General Manager of Clayton Silver Mines, requesting that the completion date of the DMEA contract be extended for one year.

Mr. Smith has accurately stated the unavoidable difficulties that have delayed and will continue to slow the progress of the project. As the main objective has not yet been reached, a certification is not yet justified, and it would be to the Government's advantage to continue the project.

We therefore recommend that an amendment be prepared to change the date for completion from July 19, 1959 to July 19, 1960 as Mr. Smith requests.

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

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

Enclosure

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUL 20 1959

DATE	INITIALS	CODE

July 10, 1959

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

Re: Docket No. DMEA 4659
Contract No. Idm. E-1108

Dear Mr. Weissenborn:

Article 1 (a) of the DMEA Contract No. E-1108 provides that the work be completed by July 19, 1959. This date was 24 months from date of execution (July 19, 1957). At that time it was doubtful that we could complete the job within 24 months. As of July 1, 1959, we have 1607.2 feet of drifting and crosscutting and 700 feet of long holing to be completed.

It appears at this time that we will need about another year to complete the project. The Clayton Silver Mines therefore desires and requests an amendment to the contract which will extend the completion date to July 19, 1960.

This project has run into some rather extreme conditions which have caused considerable delay and slowness of progress. In June 1958 we had a blasting accident that seriously injured our crew. This shut the project down for 2½ months. An abundance of underground water has been a deterrent to rapid progress. Most of the time only a single shift can be used each 24-hour day because if too rapid a progress is made, the increase in water flow overreaches the pump capacities. In due time, however, we expect the water table to lower and the initial flows to diminish. But there is no known method of pre-determining how long it takes to drain any particular area.

I believe the field examiner can inform you on our water conditions and some of the problems they present.

Very truly yours,

Norman M. Smith

Norman M. Smith
General Manager, Clayton Silver Mines

jh
cc: Mr. Wing G. Agnew
Mr. Donald R. MacLaren

RECEIVED
JUL 13 1959
U. S. G. S.
SPOKANE, WASH.

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUL 13 1959

DATE	INITIALS	
7-13	gad	VVO
7/14		800
7/15		500

No. 157 Howard Street
Spokane 4, Washington

July 7, 1959

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Dunaway Star Route
Kellogg, Idaho

Re: Docket No. DMEA-659 (Lead-Zinc)
Clayton Silver Mine
Custer County, Idaho
Contract Idm-81108

Dear Mr. Smith:

Article 1(a) of your DMEA contract provides that the contract work shall be completed by July 14, 1959, but it appears doubtful that it will be possible for you to do so. As of June 11, there remained 1,669.2 feet of drifting and crosscutting and 700 feet of long-hole drilling, to be completed on the 500 level.

If you wish to complete the project you should request an amendment to extend the termination date stating in your request the date by which the project can be completed. If it will require more than 6 months extension you should state the reason.

By Field Team Region I

Wing O. Agnew, Acting Dep. Officer
U. S. Bureau of Mines

Donald S. MacLaren, Acting Member
U. S. Geological Survey

cc: OME (2)
USBM (2)
USGS(AD)
Sample

OFFICIAL FILE COPY O. M. E. RECEIVED MAR 2 1959		
DATE	INITIALS	CODE
3/2	C	220
3/3	att	500

So. 157 Howard Street
Spokane 4, Washington

February 24, 1959

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Smith:

Thank you for your letter of February 16, 1959, in which you propose a method of computing royalty due the Government from ore produced from below the 500 level.

The method you propose will be acceptable. You should send us, with each royalty check, a tabulation similar to the one in your letter showing the breakdown of the ore by levels and the computation of royalty based on the percentage of the total shipment that comes from below the 500 level. You should also include a signed copy of the smelter settlement sheet. It will not be necessary to have the smelter send us a copy.

Royalty checks should be made payable to Office of Minerals Exploration and sent to A. E. Weissenborn at the above address as soon as possible after you receive payment from the smelter.

By Field Team Region I

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

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

cc: OME (2) w/incoming
USBM (2)
USBM(AD)
CPF

W. M. YEAMAN PRESIDENT
YAKIMA WASHINGTON

NORTH
SPOKANE

CLAYTON SILVER MINES
ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 2 1959

DATE	INITIALS	CODE

February 16, 1959

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

Dear Mr. Weissenborn:

Re: Docket No. DMEA No. 4659
Contract No. E 1108
Royalties

During the progress of completing the drifting project under this contract, most probably some ores will be salvaged from this work. These ores will come from below the 500 level and will be subject to royalty payments to the government.

Before these ores are reached I would like a clear understanding on just exactly how we can arrive at royalty payments, how and when they may be made, and still not greatly inconvenience our operations.

The rate of royalty in our case will be 5% of gross proceeds (not smelter returns) as defined. But the royalty will apply only on the proceeds from ore below 500 level. At the mine, ore from both above and below 500 level will be hoisted and commingled in the coarse ore bin at the shaft collar. No regular sampling is done ahead of the coarse ore bin.

This commingled ore is then crushed, concentrated and shipped to the smelter. After the end of each month we make up a production report in which data are compiled showing tons of ore produced from each working place, concentrates produced, and gross value of concentrates.

The contract under Article 6, section h, "Notice to Purchaser", provides, among other things, that the operator "- - - -authorize and direct the purchaser to pay the royalty direct to the Government- - - -". In our case here where only a portion of the proceeds are subject to royalty, and these portions varying from month to month, it will be quite impossible to direct the smelter in advance on what proceeds the royalty would apply. Therefore, I would very much like to have you consider and approve a method for royalty calculation and payments along the following lines.

59

The gross proceeds upon which royalties will apply will be that portion of the total proceeds each month that is in direct proportion to ores taken each month from below 500 level over the total tons mined each month.

Example:

Month of _____	
Ore from below 500 level	600 tons
Ore from above 500 level	2,400 tons
Total Mined	3,000 tons
Total Gross Proceeds	$30,000

Royalty:

600 tons is 20% of 3,000 tons
20% of $30,000 = $6,000
Royalty: 5% of $6,000 = $300.00

The royalty payment would be made by Clayton Silver Mines supported by the necessary data and documents to substantiate the calculations. Copies of the settlement sheets could be furnished either by the operator or the smelter, whichever you prefer.

Payments and reportings would be made some 30 days following the end of each month. It usually takes between 18 and 22 days from date of shipment to date of settlement, thus the 30-day period for reporting.

Your consideration on this problem will surely be appreciated. If you should care to discuss this further with me, please do not hesitate to let me know. I plan to be in Spokane sometime the latter part of February.

Sincerely yours,

Norman M. Smith
General Manager
Clayton Silver Mines

jh

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

June 5, 1958

ORIGINAL FILE COPY
DMEA
RECEIVED JUN 9 1958
DATE | INITIALS | CODE
6/9 | C | 220
| | 130
6/10 | WPB | 500

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

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mines
Custer County, Idaho
Contract No. Idm-E1108

Approved by WPB.

Dear Mr. Selfridge:

Enclosed are the Government and Audit copies of Amendment No. 1 to the contract. Other copies of the amendment have already been distributed.

Sincerely yours,

A. E. Weissenborn

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

Enclosures

cc: USBM (2)
USBM (AD)
Alvord

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 2 1958

DATE	INITIAL	CODE
6/2	C	220
6/4	acw	800
6/5	AWB	500

So. 157 Howard Street
Spokane 4, Washington

May 29, 1958

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Mines
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Smith:

Enclosed are the original and four copies of a proposed Amendment No. 1 signed by the Executive Officer, DMEA, Field Team, Region I, for the Government, as requested in your letter of May 16, 1958. The total cost in preparing a station as given in the contract cannot be increased, nor can we consider a portion of the station area as being a drift as you indicate on the sketch accompanying your request. So long as the height of the station is not less than 10 feet and the cost does not exceed $1,860, the change in plan details which you propose is satisfactory.

If this amendment meets with approval, would you sign all copies, retain the one marked Operator's copy, and return the rest to this office. If the amendment does not meet with approval, please return the original and all copies, unsigned, to this office with your comments.

Sincerely yours,

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

Enclosures
cc: DMEA(2) w/cy of incoming and
cy of proposed Amend. No. 1
JSM(2)
JTM(AD)
Alvord

Extra copy

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

AMENDMENT NO. 1

It is agreed this 26th day of May, 1958, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Clayton Silver Mines, an Arizona corporation, that Exploration Project Contract No. Idm-21108, (Docket No. DMEA-4659), dated July 19, 1957, is amended effective as of May 16, 1958, as follows:

In Exhibit "A" under "Description of the Work" Item No. 2 is revised to read as follows:

"2. Cut the 800 level station at a point approximately 300 feet below the 500 level. The station shall be not less than 10 feet high and in plan shall approximate the dimensions shown on the accompanying sketch, figure 1. The Government will not contribute to the cost of more than 3,000 cubic feet of excavation for this station at a cost of $0.62 per cubic feet. All station excavation in excess of 3,000 cubic feet will be at the Operator's sole expense."

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 fixed unit cost of any item of work.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____
A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I

CLAYTON SILVER MINES

By _____
Norman M. Smith
General Manager

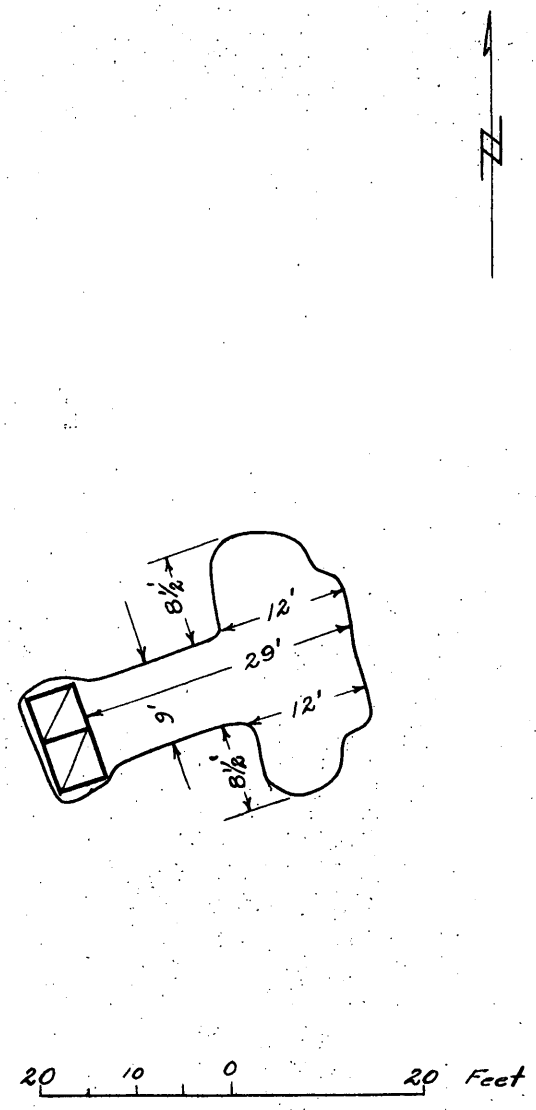

Figure 1 - Sketch showing Station Plan
Clayton Mine - Custer Co., Idaho

To accompany Ammendment No. 1,
Contract Idm. E 1108 Docket DMEA 4659

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

Justification for Amendment No. 1

In a letter dated May 16, 1958, the Operator requested that the specifications for the 800 level station be modified for better operating arrangement. As long as the Government's obligation is limited to 3,000 cubic feet of station excavation at $0.62 per cubic foot and the height of the station is not less than 10 feet, the change in the plan details is acceptable.

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
5/22	[illegible]	500
5/23	[illegible]	150
5/23	[illegible]	130
5/23	[illegible]	30
"	[illegible]	110
"	[illegible]	100
5/26	[illegible]	225
		500
Re: Docket No. DMEA-4659 (Lead-Zinc)		

MAY 26 1958

Mr. Norman M. Smith, General Manager
Clayton Silver Mines
Kellogg, Idaho

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mines
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Smith:

We have your letter of May 14, 1958, requesting a renegotiated contract covering the cited project and stating that your actual costs have been in excess of those allotted under the present contract.

Under the terms of the existing contract no renegotiating is possible; the agreed fixed unit costs are not susceptible to amendment.

With regard to the proposed costs set forth in your original application, these costs were so far out of line with those of generally similar projects that no contract could have been made on such a base. For example, you estimated your small shaft at $268.56 per foot, whereas very much larger shafts, being sunk to far greater depths, were being contracted at a much lesser figure. In various instances our auditors have confirmed that such shaft costs were actually under the costs allowed in our contracts. Likewise, your proposed costs of $54.14 per foot for drifts and crosscuts of ordinary size would have been unacceptable, for the same reason.

You may be sure that we can appreciate your difficulties of operating under the present adverse metal markets; today that problem is a worrisome one for the entire industry. Regarding the matter of time for completion of the contract work, we are sure Mr. Weissenborn would be willing to give consideration to a request for additional time.

WRGriswold/er 5/22 & 21/58
Copy to: Docket
Admr R File
Op. Committee
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Region I (2)
Chron.

Sincerely yours,

C. O. Mittendorf

Administrator

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
5/21	Griswold	500
		130
		130
		130
		110
		100 HB
		220
		500

Mr. Norman M. Smith, General Manager
Clayton Silver Mines
Kellogg, Idaho

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mines
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Smith:

We have your letter of May 14, 1958, requesting a renegotiated contract covering the cited project and stating that your actual costs have been in excess of those alletted under the present contract.

Under the terms of the existing contract no renegotiating is possible, the agreed fixed unit costs are not susceptible to amendment.

With regard to the proposed costs set forth in your original application, these costs were so far out of line with those of generally similar projects that no contract could have been made on such a base. For example, you estimated your small shaft at $268.56 per foot, whereas very much larger shafts, being sunk to far greater depths, were being contracted at a much lesser figure. In various instances our auditors have confirmed that such shaft costs were actually under the costs allowed in our contracts. Likewise, your proposed cost of $54.14 per foot for drifts and crosscuts of ordinary size would have been unacceptable, for the same reason.

You may be sure that we can appreciate your difficulties of operating under the present adverse metal markets, today that problem is a worrisome one for the entire industry. Regarding the matter of time for completion of the contract work, we are sure Mr. Weissenborn would be willing to give consideration to a request for additional time, should it prove necessary.

Sincerely yours,

Administrator

WRGriswold/er 5/21/58
Copy to: Docket
Admr R File
Op. Committee
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Region I (2)
Chron.

8623

CLAYTON SILVER MINES

ENGINEERING OFFICE

SUNSHINE STAR ROUTE

KELLOGG IDAHO

May 16, 1958

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

Dear Mr. Weissenborn:

Re: Docket No. DMEA 4659
Contract No. [illegible] E 1108

At the Clayton Mine we are [illegible] the 800-station.

Under Exhibit A of the contract Item No. 2, it calls for the corners of the 800-station to be 10 feet high, [illegible] feet wide and 20 feet long or approximately 3,000 cu. ft. of excavation.

We desire, for better operating arrangements, to alter the dimensions to approximately 10 feet high, 9 feet wide, and 24 feet long, plus 2 corners excavated measuring 10 feet high, 3 feet wide and 10 feet long and 2 other corners excavated measuring 10 feet high, 3 feet wide and 5 feet long, all excavation being not less than 3,000 cu. ft. See enclosed "Plan of Proposed 800-Station" 1" = 20'.

We would be very pleased to have you approve this slight change.

Very truly yours,

Norman M. Smith
General Manager

NMS
Encs.
cc: Mr. R. J. Legard

W. M. YEAMAN, PRESIDENT
YAKIMA, WASHINGTON

NORMAN M. SMITH
OPERATING ENGINEER

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 19 1958

DATE	INITIALS	CODE
5/19	C	220
		130
5/20	WPB	500

CLAYTON SILVER MINES
ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

May 14, 1958

AIR MAIL

Mr. C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration
Washington 25, D. C.

Dear Mr. Mittendorf:

Re: Docket No. DMEA 4659
Contract No. Idm. E 1108
Clayton Silver Mines

Reference is made to the above contract and particularly to the letter by me dated July 26, 1957 which was attached to each copy of the contract. In that letter I made a rather vigorous protest on the matter of estimated cost as arrived at by the field men of the Bureau of Mines.

As of May 1, 1958, the shaft had been sunk 242.9 feet with 57.1 feet yet to be completed. With this much done we find the actual direct costs (not including supervision or any overhead) very close to our original estimates.

The costs to April 1, 1958 with 228.9 feet of shaft completed (April costs are not yet compiled) have been as follows:

Total in 1957	$ 43,393.11	
1st Quarter 1958	14,390.22	
Explosives (not included above)	1,218.68	
Total spent to 4/1/58		$ 59,002.01
Estimated cost of remaining 71.1'		12,000.00
Estimated costs for installations (water & air columns, power cables, telephone and signal systems, ladders)		4,000.00
Total costs to be (approx.)		$ 75,002.01

Our estimate as set forth in form MF 103 was $73,711.65.

The government men allowed $44,700. for this job, or some $30,000. short of an estimated cost that is now practically proven as being the actual cost.

The shaft costs will represent approximately 3/8 the costs of the total project. As it looks right now to complete the project under terms of the contract, as they now are, the government will participate around 30% rather than 50% as provided for in the Act.

For the last five months Clayton Silver has lost considerable money on its operations due to depressed metal market. The burden of 70% of this project is becoming untenable.

What we want and hereby apply and appeal to you for is a renegotiated contract covering this entire project along the lines as set forth in my original application on form MF 103, viz.:

Shaft Sinking	300 ft. @ $268.56	$ 73,711.65
Excavation	10,000 ft. @ $ 0.799	7,990.00
Drifting	2,150 ft. @ $ 54.14	116,405.00
Engineering	34 months @ $250.00	8,500.00
Sampling and Drilling		1,300.00
	Total	$207,906.65

You will note, the time for completion is 34 months from date of beginning. I am most convinced that we can not finish within the 24 months as called for in the contract, and arbitrarily set by the Bureau of Mines.

Under circumstances as they exist, time is most essential. I therefore urge, even desperately, that you give this your utmost consideration as quickly as possible.

Very sincerely yours,

Norman M. Smith

Norman M. Smith
for Clayton Silver Mines

jh
cc: Mr. A. E. Weissenborn

OFFICIAL FILE COPY
DMEA
RECEIVED AUG 12 1957

DATE	INITIALS	CODE
8/12	Q	220
8/12	Jmw	500

So. 157 Howard Street
Spokane 4, Washington

August 3, 1957

MEMORANDUM

To: The Files

From: Executive Officer, DMEA Field Team, Region I

Subject: Clayton Silver Mines, Clayton Mines, Custer County, Idaho, Docket No. DMEA-4659 (Lead-Zinc), Contract No. Idm-E1108

Mr. Norman Smith, General Manager of Clayton Silver Mines, called at the office this date to say that the distance from the 500 sill to the bottom of the shaft on July 19 was 82 feet; not 87 feet as Mr. R. J. Legard, mine superintendent, told Alvord. Legard called Smith to correct this.

A. E. Weissenborn

cc: DMEA (2)
USBM (2)

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY
D M E A
RECEIVED AUG 5 1957

DATE	INITIALS	CODE
8/5	P.K.	220
8/7	B	845
		500

August 1, 1957

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

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mines
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Selfridge:

Enclosed are the Government and Audit copies of the above-referenced contract. By copy of this letter other copies of the contract are being distributed.

Mr. Smith is unhappy with some of the provisions of the contract, chiefly the costs allowed for sinking and drifting, and has written a letter, two copies of which are attached, stating his objections in quite strong terms. We do not think it necessary to answer Mr. Smith's objections in detail. We recognize that by the time a contract is presented to an operator for signature he commonly is so committed to the project that he is almost forced to sign whether he likes the terms of the contract or not. This is unfortunate but we know no way of completely avoiding such a situation.

We do wish to say, however, that before our recommendations were submitted to the Operating Committee, our engineers discussed the costs in great detail with Mr. Smith and Mr. Smith did not then appear too dissatisfied with the recommended costs. With a few minor exceptions, these are essentially the costs specified in the contract. Our engineers again reviewed the costs with Mr. Smith before he signed the contract and do not regard them as out of line and Mr. Smith did not seem too displeased, although he still maintained that the costs allowed were too low. It is our impression that Mr. Smith may not be as unhappy as he seems in his letter, but has protested strongly in order to protect himself from criticism from his Board of Directors. We feel, also, that Mr. Smith's change in attitude is very much affected by the drop in metal prices which has made him more cost conscious than formerly.

Most of the other points raised by Mr. Smith seem to present no great problems. The matter of prorating royalties will be handled in our regular manner when the time comes and no special provision in the contract seems necessary. The matter of transportation deduction would presumably require a special agreement, but would be solved simply and automatically if Clayton Silver Mines arranged for the smelter to pay the transportation costs. Mr. Smith was told before signing the contract that the unit prices cannot be raised; on the other hand, it would seem to us that if the shaft should make so much water that the pumps cannot cope with it without a relay station, this could be provided for in a contract amendment.

By Field Team, Region I

A. E. Weissenborn

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

Wing G. Agnew

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

Enclosures

cc: USBM (2)
Finance Office w/copy of contract
Alord

OFFICIAL FILE COPY
DMEA
RECEIVED AUG 5 1957

DATE	INITIALS	CODE

8/12

So. 157 Howard Street
Spokane 4, Washington

August 1, 1957

Mr. Norman M. Smith, General Manager
Clayton Silver Mines
Wallace, Idaho

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Mines
Custer County, Idaho
Contract No. Idm-E1108

Dear Mr. Smith:

This will acknowledge receipt of signed copies of Contract Idm-E1108 for the exploration of the Clayton mine.

We regret that you are dissatisfied with some of the provisions of the contract, particularly those dealing with some of the items of cost, but we are glad to have a frank expression of your feelings and we are forwarding your letter to the DMEA Operating Committee in Washington. However, our engineers point out that you have a very efficiently run operation and sincerely believe that you will not have as much difficulty as you fear in doing the work within the costs stipulated in the contract. They point out, for instance, that the Silver Mountain shaft which is much larger and deeper than the Clayton shaft was sunk for much under the cost you estimated for the Clayton shaft and they believe that the $149 allowed for the much smaller and shallower Clayton shaft is not out of line. They also believe that the good ground conditions at the Clayton mine should make it possible to achieve the $33.90/ft. drifting and crosscutting costs specified in the contract. We hope, therefore, that you will not find the terms of the contract as onerous as you anticipate, although, in fairness to you we have to point out that DMEA will not be able to adjust these costs for any items now specified in the contract.

The manner of prorating royalties on co-mingled ores can be worked out whenever it becomes necessary. This is a relatively simple process and does not, in our opinion, require special mention in the contract. You are correct that the contract as now worded does not allow deduction of haulage charges unless these are paid by the smelter. Unless for some reason it is impracticable to do so the simplest solution to this problem would be to arrange for the

smelter to pay these charges and deduct them from the settlement sheets as is done in the case of most of our contracts. We can assure you that it is not the intention of DMEA to collect an excessive royalty on any ore produced.

If it is found that the shaft makes so much water that the pumps cannot cope with it and you can demonstrate that a relay station is necessary, we think it possible that the contract could be amended to provide for such a station. The Field Team, however, is not authorized to make a committment of this nature and the matter would have to be referred to our Washington office for decision.

We sincerely hope that the exploration done on the contract will be successful in finding ore.

By Field Team, Region I

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

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

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

OFFICIAL FILE COPY
DMEA
RECEIVED AUG 2 1957

DATE	INITIALS	CODE
8/2	P.K.	220
8/2	Jua	500

July 26, 1957

Mr. A. E. Weissenborn
Executive Officer, DMEA
South 157 Howard Street
Spokane, Washington

Re: Docket No. DMEA-4659
Exploration Project Contract No. 1108
Clayton Silver Mines

Dear Mr. Weissenborn:

DMEA Exploration Project Contract No. 1108 containing provisions for the Government's (DMEA) participation in exploring, at greater depth, the main mineralized portion of the Clayton Mine, has been received.

To say the least, I am very unhappy with this contract. In the first place, the "Fixed Unit Costs" have been cut so far below our estimates that I believe them unrealistic. This applies particularly to sinking and to drifting and crosscutting. In the second place, the contract contains certain provisions that will not fit into our operations. Also there are provisions which were discussed with the Government field men on which I had the understanding would be included in the contract but which are not even mentioned.

The whole situation has placed us in a most awkward position. We had every reason to believe that we had a very legitimate exploration project in which the Government would participate in cost on a 50-50 basis (Defense Production Act of 1950). Under that belief we first applied for aid and then moved right out in planning and preparing for the project so that there would be no delay when a contract was executed. We expected the contract to be submitted to us in about 60 to 90 days after our application was submitted. Consequently by June first we were fully prepared to commence work on the proposed project. But instead of a 90-day expected maximum time lapse, it was 143 days from the time our application was received until contract was processed. On Friday, July 19, I was informed that the contract would be signed, dated, and mailed from Washington that day. I had previously been informed, by the field men, that the contract date controlled participation by the Government. With that in mind and we being anxious to get the project under way, I telephoned the mine and gave them the "high ball". Consequently they blasted the first round that day, and are now proceeding with the project.

Now, as to this contract, I am faced with the dilemma as to whether I should execute a contract that I am most certain the Government will participate on approximately a 35-65 basis instead of a 50-50 basis, and in which certain provisions are not complete, so as to get what aid is now offered or whether to delay signing to see if the contract can be made somewhat more equitable, and take the chances of losing out on what we are now doing. We can not stop the project now without unnecessary loses.

The particular provisions in the contract on which I wish to voice protest are as follows:

1. Article 1. (a) Time for completion 24 months. We had estimated 118 weeks or approximately 27.5 months. However the contract calls for 650 feet more of drifting than was provided for in our estimate, consequently a longer time should be allowed. In round figures, we estimate the time for completion from July 19, 1957 as 30 months. It is to be taken into consideration that production and use of the shaft during production shifts can not be interrupted.

   There is a possibility or even a probability that the drifting and crosscutting can be done on a two-shift basis which will speed up progress there. This was discussed with personnel of the Bureau of Mines, but it was pointed out that it was still a probability. The contract does not take that probability into consideration.

2. Article 6. (c) In determining "gross proceeds" it is, and has long been customary to deduct transportation costs from net smelter returns before royalties are calculated. Transportation deductions under this Article are allowed only if paid by the buyer (smelter). It so happens that we pre-pay all transportation costs from mill to smelter. Concentrates are hauled entirely by common carrier. It seems reasonable to request a change in the wording in Article 6c so that deduction for transportation paid to common carrier by seller may be allowed.

   Also on a matter of figuring royalty, when and if ore is taken from the workings of this project, no doubt it will be commingled with ores taken from other parts of the mine. Royalty on the final product is to be paid on the ratio of quantity (tonnage) produced in any particular period. For instance, if we mill a total of 3,000 tons during a particular month and 500 tons come from this project, then royalty would apply on 1/6 of the value of metals produced that month. This also was explained to field men (U.S. Bur. Mines) and we expected some mention of it in the contract, so as to avoid any misunderstandings later on.

On Friday, July 26, 1957, I had a long discussion with the personnel of the Bureau of Mines there in Spokane on the matter of costs. I was somewhat amazed at some of the statements made on cost allowances, particularly that the Government does not expect to participate a full 50% in the actual costs of this project. Allocation of supervisory costs are not allowed at all. I went away from there knowing that they are not up to date on cost items as they exist today. For instance, they allow $33.90 a foot for drifting at the 800-foot level on this project with hoisting and a large volume of water to pump; still in 1951 (Dec.) a contract was let to Simplot Co. at Myers Cove for an adit with no pumping or hoisting for $32.19/ft. Miners pay then was $13.54/shift - now it is $16.80. Do you believe this realistic? I also went away from the Bureau of Mines fairly well convinced that they would not concede their position on costs.

I am convinced that this project will cost approximately $55,000 more than the contract allows. That be what it may, we are in a position now where I presume we will have to take what we can get. However, I still think a review of present costs should be made.

There was a matter of contingency mentioned in our application. That was the possible necessity of cutting a halfway station between 500 and 800 levels in order to relay water. We believe now this will be necessary, at a cost of some $3,200.

I will appreciate what guidance you may be able to give on this problem. In view of present metal prices and the slump in our income, this project now looms up as definitely a major financial undertaking for Clayton Silver Mine.

The executed contract is here enclosed. We have signed it under protest of the above mentioned provisions and trust some amendments may be made.

Sincerely yours,

Norman M. Smith

Norman M. Smith

jh

cc: Mr. Mittendorf

COPY

OFFICIAL FILE COPY DMEA RECEIVED JUL 29 1957		
DATE	INITIALS	CODE
7/29	C	220
7/29	[illegible]	500

So. 157 Howard Street
Spokane 4, Washington

July 24, 1957

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Dear Mr. Smith:

Enclosed are the original and four copies of a proposed short-form contract for the cited project, signed by the Administrator for the Government. It consists of the form (MF-200A), Annex I (1 page), Exhibit A (2 pages), and two maps. If it meets with your approval, would you please sign all copies, retain that copy marked for the Operator, and return the rest to this office.

Please insert in the contract, in the space provided under Article 1, the date when you shall commence work on the contract.

Your attention is called particularly to Article 6 of the contract which deals with repayment by the Operator from royalty on production. Any production from the land described in the contract is subject to the royalty provisions of the contract whether or not the ore was known to exist prior to the date of the contract or it is discovered or developed by the work under the contract. This applies to all production during the period in which the Government may certify or, if the project is certified, to all production during the repayment period specified in the contract.

Sincerely yours,

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

Enclosures

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

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

Mr. Alb

Dwyer - 756

DEPARTMENT OF THE INTERIOR

OFFICE OF THE SOLICITOR

T E L E T Y P E

1480107 - SALARIES AND EXPENSES

OFFICE OF THE SOLICITOR (1958)

July 19, 1957

HARRY MACHNICH
SCOTT BUILDING
WALLACE, IDAHO

CLAYTON SILVER LEAD MINES CONTRACT, DMEA DOCKET 4659, SIGNED BY ADMINISTRATOR, DMEA. CONTRACT WILL BE MAILED TODAY TO A. E. WEISSENBORN, EXECUTIVE OFFICER, DMEA FIELD TEAM, REGION I, SPOKANE, WASHINGTON. F. E. DORSHER'S ADDRESS ST. JOSEPH LEAD COMPANY, 250 PARK AVENUE, NEW YORK CITY.

ROBERT P. DWYER

RPDwyer/emd
Copy to: Confirmation
Solicitor's Docket (2)
DMEA Docket
C. O. Mittendorf, DMEA
R. P. Dwyer
chron.

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
7/15	[illegible]	500
	Tirawel	500
7-16	Chambers	800
7/17	Martin	130
7/19	Johnson	110
"	Wertendorf	100
7/19	[illegible]	225
		500.

500

JUL 19 1957

K. B.

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

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Dear Mr. Weissenborn:

Enclosed are the original and four copies of a proposed short-form contract for the cited project, signed by the Administrator, Defense Minerals Exploration Administration. It consists of the form (MF-200A), Annex I (1 page), Exhibit A (2 pages), and two maps. Also, enclosed are two extra copies of Annex I, Exhibit A, and the maps for the use of the Field Team.

Please insert in the contract, in the space provided under Article 1, the date when the Operator shall commence work on the contract.

If the proposed contract meets with your approval, kindly present it to the Applicant for approval and signature and, when completed, distribute the copies in the usual manner. In the event that the contract 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 (JWB)

Enclosures
APPROVED:

P. F. Yopes (JWB)
Member, Bureau of Mines

Thor H. Kiilsgaard (JWB)
Member, Geological Survey

JWAlt/er 7/15/57
Copy to: Docket
Admr R File
Op. Committee
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

8623

Art. 6
Art. 13

EXPLORATION PROJECT CONTRACT
CLAYTON SILVER MINES
DOCKET NO. DMEA-4659

ANNEX I

The land referred to in article 2 of the Contract consists of the Patented Lode Mining Claims: Camp Bird, Camp Bird No. 2, Camp Bird No. 4, Discovery No. 1 and Discovery No. 3, U. S. Mineral Survey No. 3196 (Patent No. 1,055,371), excluding ~~all that portion of said claims above the sill of the 500 level (elevation at Clayton Shaft 5,342.72 feet, Clayton Survey).~~

The land is shown on the attached property map entitled, "Clayton Silver Mines, Clayton, Idaho, Custer County, Idaho, Property Plan Map. Plate 3."

The Operator owns the interest in the land.

Those portions of all ore bodies within said claims above the sill of the 500 level (elevation at Clayton Shaft 5,342.72, Clayton Survey) known to exist on the date of this contract.

Special Undertaking Concerning Royalty

Note: After Art. 6(b) and in Art. 10, add: "Ref Annex I."

added provision in

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
6/27	Alt.	500
	Griswold	500
		~~120~~
		~~110~~
"	Mittendorf	100
6/27	C	220
6/27	JWA	500

JUN 27 1957

WRGriswold/er Rm 4444, Ext. 3669

DMEA-Division of Base Metals

14X4401(01) Revolving Fund,
Defense Production Act, Interior,
(Transfer to Office of Secy.)

T E L E G R A M

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Date:

To: Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Reurtel June 24, 1957, re Docket No. DMEA-4659, Clayton Silver Mines. Your application is being processed and we expect disposition in about two weeks.

C. O. Mittendorf (for)

C. O. Mittendorf
Administrator, Defense Minerals
Exploration Administration

JWAlt/er 6/27/57
Copy to: Docket
Admr R File
Op. Committee
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Region I, NW Dist.
Chron.

8623

Telefax **WESTERN UNION** Telefax

PR SKA234 PD=KELLOGG IDA 24 1051AMP=

1957 JUN 24 PM 2 57

C O MITTENDORF, ADMINISTRATOR DEFENSE MINERALS
EXPLORATION ADMIN=DEPT OF INT=WASHDC=

RE DOCKET 4659 CLAYTON SILVER MINES APPLICATION FOUR MONTHS OLD WE ARE ANXIOUS TO PROCEED WITH PROJECT AND DESIRE DECISION FROM D.M.E.A. AT EARLIEST POSSIBLE DATE WE HAVE ALL PREPARATIONS COMPLETED AND READY TO SINK NOW=

NORMAN M SMITH MANAGER CLAYTON SILVER MINES=

1957 JUN 24 PM 3 20

FAY

1270 (1-51)

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 25 1957

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6/25	C	220
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Telefax WESTERN UNION Telefax

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C O MITTENDORF, DEFENSE MINERALS EXPLORATION
ADMINISTRATION DEPT OF INTERIOR WASH DC=(

WILL CALL YOU 3PM EST CONCERNING D.M.E.A. DOCKET 4659=
NORMAN H SMITH CLAYTON SILVER MINES=

1957 JUN 21 PM 2 53

Called
3:55 E.D.T.
6-21-57 [illegible]

1270 (1-51)

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RECEIVED JUN 24 1957

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DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
	J. [illegible]	

500

June 25, 1957

Memorandum

To: Associate Solicitor, Division of Mineral Resources

From: Director, Division of Base Metals

Subject: Preparation of Contract for Docket No. DMEA-4659, Clayton Silver Mines, Clayton Mine, Custer County, Idaho, Lead-Zinc.

Will you please prepare a contract for the cited application. A draft of the contract, Exhibit A, and Annex I are attached to this memorandum. The necessary copies of the maps will be forwarded to your office in a few days.

The necessary copies of the contract are that an original and five copies of the contract only, and an extra copies of the Annex I and Exhibit A. The Division Copy is now being deleted.

W. R. Griswold

W. R. Griswold

Attachment.

JWAlt/er

Copy to: Docket
Chron.

8623

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

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 19 1957

DATE	INITIALS	CODE
6/19	JWR	220
		500

6/20

June 18, 1957

Re: DMEA 4659; Lead-Zinc;
$135,441
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Memorandum

To: W. R. Griswold, DMEA

From: O. M. Bishop, USBM

Subject: Field Team report of May 22, 1957, received June 3, 1957.

The applicant requests DMEA assistance in sinking the Clayton shaft an additional 300 feet to the 500-foot level and in drifting and crosscutting 2,150 feet to explore the downward extensions of the North and South orebodies below the 500-foot level. On that level the south orebody has a strike length of 200 feet and ranges from 6 to 8 feet wide; and the north orebody is about 250 feet in strike length and 25 feet wide.

The drifting and long-hole drilling planned from the 800-foot level will further serve to explore the shear zone between the north and south oreshoots.

The analysis of costs made by the field team appear in good order, and it seems that there is an excellent chance of proving additional reserves at depth. The significance of the reserves, if no better than in the past may be questioned, however, particularly in the light of current base metal prices.

Despite the fact that the ore has a net worth of no more than $12.00 per ton I recommend the exploration.

O. M. Bishop

O. M. Bishop

cc: Division of Minerals
Branch of Base Metals - Mr. Bishop
Files
Mr. Kiilsgaard
Mr. Lamb

IN REPLY REFER TO:

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 5 1957

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6-5		220
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UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

May 3, 1957

Re: DMEA 4659
Clayton Silver Mines
Clayton Silver Mine
Custer Co., Idaho
Appl. Est. $163,534.43
Rec'd " 135,441.00
Lead-Zinc

Memorandum

To: W. R. Griswold, Defense Minerals Exploration Administration

From: N. E. Nelson, U. S. Geological Survey

Subject: Review of Field Team Report.

The applicant requests assistance in exploring for and developing the downward extensions of 2 oreshoots, known at the 500 level of a productive small mine. The proposed new level would be 300 feet below the 500 level.

Four oreshoots were mined in the upper levels, but on the 500 or bottom level only 2 ore shoots are known, one of which, the smaller, is at the south end of the mine near the shaft. The larger shoot is 1,050 feet north of the shaft on the 500 level and in case the indicated plunge to the north holds to the new level, the ore shoot will be about 1,300 feet north of the shaft, with, as known, barren structure between the 2 ore shoots.

The examiners and Field Team recommend approval of a work program essentially as proposed by the applicant.

In a review of the application I recommended that the oreshoots be explored by diamond drilling from crosscuts on the 500 foot level. Naturally the applicant objects and the examiners agree. A map showing the north orebody in plan on the 500 level shows the north ore shoot, indicated as 40 feet wide and 280 feet long on the 400 level, has shrunk to a central mass between 2 faults. It is shown as 100 feet long and 30 feet wide. At each end are narrow, 7 or 8 foot wide, faulted segments 40 feet long marked as containing high grade stringers. Unless the orebody has been lengthened since the plan was drawn, the longitudinal section is misleading.

In view of this apparent decrease in size of the north oreshoot in 100 feet, I again recommend drilling to be followed perhaps by a winze. Certainly no 300 foot "bite" should be taken at this time.

If the south orebody is as represented, a 100-foot 'shaft' extension is probably warranted, but the ore shoot at the 500 level seems to have shrunk to about 1/2 the plan area it had at the 400 level.

For reasons, not apparent, the upper level ore shoots in the mine have bottomed and shrunk. Therefore, I recommend that the Field Team be requested to devise a less ambitious and more realistic exploratory work program.

N. E. Nelson

N. E. Nelson

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SPOKANE WASH 6-14-57 0824U

GEORGE C SELFRIDGE, CHAIRMAN OPERATING COMMITTEE

DMEA, DEPARTMENT OF INTERIOR, WA

REURTT ON CLAYTON SILVER MINES, DOCKET DMEA 4659. APPLICANT STATES DRIFTS WILL BE 6 BY 8 FEET. NO TIMBERING IS EXPECTED TO BE REQUIRED AS NONE HAS BEEN USED BEFORTHALF TIME USE ALLOWANCE MADE FOR COMPRESSOR, HOIST, AND ALLIED EQUIPMENT BECAUSE COMPANY EXPECTS TO OPERATE MINE ON ONE SHIFT AND DUE DMEA EXPIRATION ON OPPOSITE SHIFT.

A E WEISSENBORN

4659 6 8

SLP 0828U

DMEA Form 7
(12-56)

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Date	Surname	Code
6/12	[illegible]	500
	[illegible]	300
6/12	GCS	130
"	Johnson	110
"	[illegible]	100
6/13	[illegible]	226
		500

6/12 Lamb (130)
6/12 Kiilsgaard (130)

JUN 13 1957

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JWAlt/er Room 4444 - Ext. 2690

DMEA-Division of Base Metals

14X4401(01) Revolving Fund,
Defense Production Act, Interior,
(Transfer to Office of Secy.)

Date:

To: Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region I, Northwest District, Spokane, Washington

Reurtt June 11, 1957, re Docket DMEA 4659 (Lead-Zinc), Clayton Silver Mines. Application is being processed. We do need to know the size of the drift. No allowance was made for timbering of drifts & crosscuts in Field Team report. What footage should be allowed, and at what cost per foot. Please justify half time allowances for equipment noted in report.

JWAlt/er 6/12/57
Copy to: Docket
Admr R File
Op. Committee
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron
Confirmation Copy

George C. Selfridge

Chairman, Operating Committee

8623

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SPOKANE WASH 6-11-57 1150U

GEORGE C. SELFRIDGE

CHAIRMAN OPERATING COMMITTEE

DMEA WASHN., DC

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RECEIVED
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DEPARTMENT OF THE ARMY
PUBLICATIONS SERVICE
DMA - COMMUNICATIONS

RE DOCKET 4659 (LEAD-ZINK), CLAYTON SILVER MINES, CUSTER COUNTY, IDAHO. APPLICANT INFORMS US THAT HE IS READY TO START SINKING SHAFT AND THAT HE IS ANXIOUS TO KNOW STATUS OF APPLICATION.

A E WEISSENBORN,

4659

VA 1151U

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY
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RECEIVED MAY 27 1957

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6/3	C	220
		500

May 22, 1957

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

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Dear Mr. Selfridge:

Enclosed are four copies of a memorandum examination report by Howard B. Nickelson, Geologist, U. S. Geological Survey, and John D. Bardill, Mining Engineer, U. S. Bureau of Mines, on the above-referenced application.

The Clayton ore bodies occur as replacements in dolomite along shear zones and are controlled in part by folding, brecciation, and cross fracturing. From 1934 to 1956 the mine has produced 909 ounces of gold, 2,601,419 ounces of silver, 45,320,552 pounds of lead, 14,327,360 pounds of zinc and 426,674 pounds of copper from 670,963 tons of ore. Proven ore reserves at the end of 1956 are estimated by the company to be 120,000 tons.

Nickelson and Bardill conclude that the chance of making a significant discovery of lead-zinc ore, possibly as much as 200,000 tons, is good and recommend that the application, with some modifications, be approved.

The Field Team concurs with this recommendation.

By Field Team, Region I, NW District

Wing G. Agney, Acting Exec. Officer
U. S. Bureau of Mines

Donald R. MacLaren, Acting Member
U. S. Geological Survey

Enclosures

cc: USBM (2)
USGS (SRO)
Nickelson

Maps & Accompanying Report - filed in Locomotive

Reviewed by
DMEA OPERATING COMMITTEE
5-31-57
(date)

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 27 1957

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UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
So. 157 Howard Street
Spokane 4, Washington

May 7, 1957

MEMORANDUM

To: DMEA Field Team, Region I, Northwest ~~District~~

From: Howard B. Nickelson, Geologist, U. S. Geological Survey and John D. Bardill, Mining Engineer, U. S. Bureau of Mines

Subject: Field Examination Report, Docket No. DMEA-4659 (Lead-Zinc), Clayton Silver Mines, Clayton Mine, Bayhorse Mining District, Custer County, Idaho

INTRODUCTION

On February 26, 1957, Clayton Silver Mines of Kellogg, Idaho, submitted an application to explore for lead and zinc at the Clayton mine, Custer County, Idaho. The proposal submitted by the applicant consists of extending the Clayton vertical shaft an additional 300 feet, establishing an 800 level station, and drifting northward approximately 1,500 feet to explore the downward projection of the south and north ore shoots and the intervening ground. The applicant estimates that the project will cost $163,534.43, of which the Government's share will be 50 percent or $81,767.21.

On March 22, 1957, while in the area, the writers briefly examined the lowest working (500 level) and discussed the application with R. J. Legard, mine superintendent.

SUMMARY

The Clayton mine has produced 2,601,419 ounces of silver, 909 ounces of gold, 45,320,552 pounds of lead, 14,327,360 pounds of zinc, and 426,674 pounds of copper from 670,963 tons of ore from 1934 through 1956.

The ore bodies have been formed by replacement of dolomitic rock along two shear zones, one of which strikes northerly and dips steeply east, the other strikes northeasterly and dips southeast. These shear zones trend with the dolomitic formation. In recent years, the greater portion of the production has come from two ore

Reviewed by
DMEA OPERATING COMMITTEE
5-31-57
(date)

shoots, the south ore body and the north ore body. The south ore body is just off the main shaft; it ranges from approximately 5 to 15 feet in width and is approximately 200 feet long. It has been mined from the 500 level to the surface (see vertical section and plan map, pls. 1 and 2). The north ore body is approximately 1,200 feet north of the shaft. This replacement body is approximately 280 feet long and averages about 35 feet in width.

The proposed work is justified; however, the 1,500 feet of drifting proposed by the applicant will not be enough to explore both ore bodies and the footage should be increased by 650 feet, for a total of 2,150 feet of drifting and crosscutting.

RECOMMENDATION

It is recommended that the application be approved, with some modifications as proposed by the writers.

LOCATION

The property is located in the Bayhorse mining district, Custer County, Idaho, in parts of secs. 11, 12, 13, 14, 23, 24, and 25, T. 11 N., R. 17 E. B. M. The mine is along Kinnikinic Creek about 2 miles north of Clayton, Idaho. The nearest railroad is at Mackay, Idaho, a distance of 80 miles from Clayton via U. S. Highway 93, which is passable throughout the year.

TERRAIN AND CLIMATE

The Salmon River area around Clayton is mountainous. Sagebrush and grass abound on the foothills, and conifers cover the mountain summits. The Kinnikinic Creek valley is narrow and its walls rise more than 1,000 feet above the creek. Quartzite and dolomite form cliffs on both sides of the valley. Light snowfalls and some sub-zero weather occur during the winter but the summers are mild.

COMPETENCY OF THE APPLICANT

The Clayton mine is operated by a competent mining company capable of furnishing its share of the proposed exploration costs.

PROPERTY RIGHTS

Clayton Silver Mines owns 36 contiguous patented claims. The area to be explored and benefited by the exploration and to be included in the exploration project contract consists of the Camp Bird, Camp Bird No. 2, Camp Bird No. 4, Discovery No. 1, and Discovery No. 3 lode mining claims, U. S. Mineral Survey No. 3196, (Patent No. 1,055,371), excluding all that portion of said claims

above the sill of the 500 level (elevation at Clayton shaft 5,342.72 Clayton Surveys). Plate 3 shows claims owned by the company and on it is outlined the land to be included in the proposed contract.

DESCRIPTION OF THE PROPERTY

On the property are a 100-ton flotation mill, surface facilities adequate to accommodate the operation, and five stand-by electric generator units to insure against a power failure. This stand-by equipment is needed because the lower levels of the mine would soon fill with water if the Salmon River Electric Co-op power were discontinued for a few hours.

The mine workings consist of a 630-foot two-compartment vertical shaft and five working levels.

The 100 level, altitude 5,891.47 feet above sea level, consists of about 3,000 feet of workings. Approximately 785 feet along the vein has been stoped above this level (pl. 1).

The 200 level, altitude 5,764.85 feet above sea level, has over 3,000 feet of workings. Approximately 800 feet of vein has been stoped along this level.

The 300 level, altitude 5,659.97 feet above sea level, has approximately 3,700 feet of workings. Approximately 730 feet of vein has been stoped along this level.

The 400 level, altitude 5,514.41 feet above sea level, has approximately 2,600 feet of workings. Approximately 500 feet of vein has been stoped along this level.

The 500 level, altitude 5,342.72 feet above sea level, has approximately 2,600 feet of workings. Approximately 430 feet of vein has been developed along this level.

The mine is well equipped and the operation runs smoothly. The south ore body is mined by the open-stope method with occasional pillars for ground support. The north ore body is mined by a shrinkage method.

GEOLOGY

The geology of the area is described by C. P. Ross in U. S. Geological Survey Bulletin 877, 1937, "Geology and Ore Deposits of the Bayhorse Region, Custer County, Idaho."

The U. S. Bureau of Mines examined the property in October 1942 and prepared a War Minerals Report in December 1942. W. H. Newhouse and Cleaves Rogers of the U. S. Geological Survey spent about 6 weeks in the area in the summer of 1943, and in an unpublished report described the geology of the surface and of the three levels which existed at that time.

Irvin Lorraine Tailleur, in 1948, described the geology and ore deposits in a Masters thesis presented to Cornell University.

Information from the above reports has been freely used in preparing this report.

The Clayton area is underlain by sediments of Ordovician age which have a total thickness exceeding 6,000 feet. Challis volcanics of Oligocene(?) age occur as scattered remnants on the tops of the mountains west of Kinnikinic Creek, and a gabbro sill intrudes the Ordovician sediments east of Kinnikinic Creek. It is found in places in the Clayton mine area. Ross (1937) has divided the Ordovician sediments into the following formations:

Ramshorn slate.--The Ramshorn slate, lower Ordovician in age and the oldest rock in the area, has a thickness of more than 2,000 feet, with the uppermost 800 feet exposed along Kinnikinic Creek and extending southward across the Salmon River.

The rock is predominantly a banded dark-green and purple slate with excellent cleavage. The rock forms a subdued topography with isolated outcrops.

Kinnikinic quartzite.--The Kinnikinic quartzite conformably overlies the Ramshorn slate and has a thickness of over 4,000 feet. It is the only sedimentary rock in the mine area. In the mine area, Newhouse recognized several lithologic types and Tailleur has subdivided the formation somewhat differently into the Lower member, the Clayton quartzite member, the Ella dolomite member, and the South Butte quartzite member.

The Lower member is composed of interbedded massive quartzites and thin-bedded dolomitic quartzites, dolomites, and shales, with an aggregate thickness of at least 2,000 feet.

The Clayton quartzite member is composed of a few shaly beds at the base but in general is a quartzite with pebbly and feldspathic layers. It has a total thickness of 1,580 feet. The member is quite resistant and forms hog-back ridges, cliffs, and prominent talus slopes.

The Ella dolomite member is the principal ore horizon and consists wholly of dolomite with varying amounts of siliceous material. Fresh surfaces are dark gray to black but the rock weathers to light gray and buff colors. The measured thickness is 340 feet.

The South Butte quartzite member is generally light-colored, dense quartzite. It has a measured thickness of 840 feet. On the basis of recent fossil discoveries by Ross in the Borah Peak quadrangle, Tailleur believes that the Lower and Clayton quartzite members are middle Ordovician in age, and that the Ella dolomite and South Butte quartzite members probably are of upper Ordovician age.

Saturday Mountain formation.--The Saturday Mountain formation overlies the Kinnikinic quartzite. It is composed of massive and thin-bedded carbonaceous dolomites and subordinate cherty beds and has an aggregate thickness of about 3,000 feet. It has been assigned an upper Ordovician age.

Structure

Rocks in the vicinity of Clayton have been folded into a series of northwest-trending anticlines and synclines. Tailleur reports that the assymetrical Clayton anticline, located between Kinnikinic Creek and Squaw Creek, trending N. 20° W., has been pinched against and partially thrust upon the west flank of a regional anticline which trends northeast of Clayton (pl. 4). A high angle reverse fault has eliminated the syncline that should lie between the two anticlines. This fault dips steeply westward and parallels the trend of the Clayton anticline. One mile to the west another longitudinal reverse fault has broken the east flank of the Clayton anticline.

A zone of normal faulting with two principal planes of movement forming a highly crumpled block between them is located along Kinnikinic Valley and extends south across the Salmon River.

Numerous transverse faults striking N. 70° E. to E. and dipping steeply southward have displaced the hanging-wall block eastward from a few feet to over 4,000 feet. Considerable vertical movement has been experienced by the transverse fault just south of the Clayton mine causing the Clayton anticline south of the fault to plunge 20° to the north.

The intense faulting throughout the area has caused bedding plane adjustments, drag folding, and bedding plane shear and breccia zones, especially along the massive quartzite-dolomite contacts.

Folding and associated longitudinal and transverse faulting are a result of forces acting from the southwest during the Laramide revolution.

Ore Deposits

Folding and faulting caused permeable zones in the Ella dolomite along which hydrothermal solutions replaced the dolomite with siderite and sulfide minerals, probably during the early Tertiary epoch of mineralization. Following a prolonged period of oxidation there was a second period of mineralization probably correlative with a mid-Tertiary epoch of epithermal mineralization. The minerals deposited were similar to those deposited in the first period, but were deposited less abundantly.

On the west limb of the anticline, mature erosion before the Challis volcanics has left the deposits deeply oxidized, whereas recent erosion at lower altitudes on the east limb has left the deposits not so deeply oxidized. Deposits on nearby properties, such as at Red Bird, South Butte, and Rob Roy mines contain generally oxidized ore, whereas the Clayton, Silver and Ella mines are primary deposits.

Mineralogy

Tailleur reports the following minerals at the Clayton Silver mine: siderite, quartz, pyrite, galena, sphalerite, tetrahedrite, chalcopyrite, and polybasite. He states that there is little variation in the mineral assemblage in the district from mine to mine; the minerals found are generally common to the Wood River region. The presence of polybasite had not been noted previous to Tailleur's work.

Paragenesis

Tailleur has worked out the following paragenesis in the Clayton area: quartz was the first mineral introduced; it was followed by shattering and then by the introduction of siderite and pyrite, which in turn was followed by slight shattering. Sphalerite, tetrahedrite, galena, chalcopyrite, and polybasite were deposited, completing the mineral assemblage during the early Tertiary epoch. Pyrite, galena, chalcopyrite, and marcasite were introduced during the mid-Tertiary epoch.

Structural Influence

Many of the ore deposits, such as those in the Clayton and South Butte mines, are located near major transverse faults. Loci of the mineral deposits were prepared by crushing caused by bedding movement and fracturing and brecciation caused by drag folds,

which were intersected by shears that acted as feeders for the mineral solutions. These solutions replaced the rock in the permeable zones, forming ore bodies. The impounding of the solution by the flattening of the hanging wall and by the pinching and narrowing of the shear zones increased the width and richness of the mineralization. In some places, transverse faults may have served as feeders to the mineralized zones.

GEOLOGY AND DESCRIPTION OF THE CLAYTON MINE

The ore bodies at the Clayton mine are found along a shear zone that strikes about N. 50° E. at the south end of the mine and approximately N. 20° W. at the north end of the mine. The ore shoots dip from vertical to 50° easterly. The shear zone trends roughly in the same direction as the Ella dolomite. A pre-mineral transverse system of faults appears to have offset the north-trending ore-bearing shear zone in the vicinity of the main shaft. These transverse faults may partially account for the differences in the strike of the south and north ore bodies. Tailleur believes that these transverse faults accounted for a portion of the crushing and opening created in the north ore-bearing shear zone and that they may have served, in part, as channel ways for the ore-bearing solutions. The combination of folding and faulting is believed responsible for the permeable zones that allowed the mineralized solutions access to replace the dolomite and deposit the ore bodies.

The south ore body strikes about N. 50° E. with an average dip 85° SE. between the 200 level and 500 level. The ore body rakes about 68° NE. The stopes on all the levels have averaged about 200 feet in length and the vein is 6-8 feet wide on the 500 level. Between the 400 and 300 levels, the applicant notes on the vertical section that the vein was mined 15 feet wide. The grade of the ore is not known but the applicant states that the silver ratio is slightly under that of the ore found at the north end of the mine and that the zinc ratio is higher. The company is now stoping this ore shoot from the 500 level to a point just below the 400 level sill.

The ore found along the shear zone north of the shaft has been mined principally from two ore shoots. The first of these two ore shoots, just north of the shaft, was mined to the 300 level; at this point the ore shoot pinched out (pl. 1). However, siderite and very low-grade mineralization has been cut on the 400 and 500 levels below this ore shoot.

The second ore shoot at the north end of the main workings has been mined from the 100 level to the 500 level. This ore shoot is about 250 feet long and averages about 35 feet in width. The vein is about 25 feet wide on the 500 level, as

shown on the field sheet submitted by the applicant (pl. 5). The ore body strikes about N. 15° W., dips about 70° NE., and rakes 50° northerly. The major production in the last 5 years has been from this ore shoot.

A definite change in the ore minerals has taken place on the lower level. On the upper levels the galena was in cube form, the sphalerite occured as easily determined crystals, and the ore was softer. On the 500 level the galena is steel variety, the sphalerite is in small crystals, the tetrahedrite content has increased, and the ore is harder, probably due to the fine-grained habit of the ore mineral and an increase in silica.

The following table shows the grade of the ore recovered for the past 10 years:

Years	Tons of ore mined	Silver oz./ton	% Pb	% Cu	% Zn
1946	10,764	3.879	3.446	0.299	1.181
1947	24,366	5.028	4.341	0.502	1.590
1948	29,077	3.317	3.012	0.257	1.46
1949	14,502	3.225	3.713	0.362	1.383
1950	30,749	3.611	3.889	0.416	1.351
1951	23,562	4.952	4.918	0.385	3.206
1952	20,518	3.556	3.207	0.384	1.093
1953	30,267	3.949	3.783	0.353	0.910
1954	30,448	4.495	4.010	0.382	1.851
1955	35,740	3.587	3.536	0.297	2.297
1956	39,901	4.593	3.918	0.389	3.119

Proven ore reserves at the end of 1956 are estimated by the company at 120,000 tons. It is believed that the proposed exploration could discover about 200,000 tons of ore if the ore shoots continue in size as found on the 500 level.

Although the grade is low, good ground conditions and the fairly large size of the ore bodies have permitted profitable operation.

The stopes above the north ore body are open from the 100 level to the 400 level. The company has been stockpiling all of the zinc concentrates since 1953 but approximately 10 cars are in the process of being shipped to The Anaconda Company.

THE EXPLORATION PROJECT

Shaft sinking.--It is proposed to sink the main vertical shaft an additional 300 feet, the proposed shaft to be the same size as the existing one. The present shaft is two-compartment, with each compartment 4'4" x 4'4" inside timber; the outside dimension of timber, 10'8" x 5'8".

Mr. Legard, mine superintendent, stated that previous shaft sinking encountered water courses that delayed the sinking cycle a few days until the pumps caught up with the flow. From past experience, shaft sinking involves considerable pumping until the water table is lowered to the bottom of the shaft; then the flow decreases and only moderate pumping is necessary to maintain the water level.

The 800 level station will be approximately 10 feet high, 15 feet wide and 20 feet long, or about 3,000 cubic feet.

The 800 level pump sump of about 4,000 cubic feet will measure roughly 10 feet deep, 20 feet long, and 20 feet wide.

The two loading pockets will have a combined volume of about 3,000 cubic feet and be about 30 feet in cross section and 50 feet deep.

Drifting.--It is proposed that 2,150 feet of drifting or crosscutting be allowed. This work will consist of about 1,400 feet of drifting to reach the presumed projection of the north ore body, 100 feet of exploratory crosscuts that may be needed to locate the ore body, and about 400 feet of drifting on the ore. Drifting will have to be done in the hanging wall because drifting in the footwall weakens the ground in the draw hole area and may cause bad ground conditions in stoping operation. Due to the uncertainty in projecting the north ore body to the proposed 800 level, 100 feet of exploratory crosscutting is proposed to locate this ore body should the main drift or 70-foot long holes from the drift fail to locate it. The main drift will be driven to a point near the middle of the projected ore body before the long holing or the exploratory crosscutting would be authorized. This method of driving exploratory crosscuts was necessary in finding the ore body on the upper levels; however, if the crosscutting is not needed, it will not be used.

out of pic-
pattern
[illegible]

Approximately 250 feet of drift is proposed to explore the south ore body. This structure should be cut by the main drift just north of the shaft.

Long-hole drilling.--In order to locate and determine the outline and grade of the north ore body, it is proposed that as soon as the area is reached both walls of the drift be drilled by long holes every 50 feet and that the sludges be assayed. It is recommended that 700 feet of long holing be allowed. Some of this footage may be used to test other structures that may be found.

Sampling.--It is estimated that up to 200 samples might be taken to evaluate the ore grade. These samples should be assayed for silver, lead, and zinc.

JUSTIFICATION

It might appear that the proposed exploration work borders on development but the deposit is not a simple vein. The Clayton ore bodies occur as replacements in dolomite along a shear zone. The localization of the ore bodies is controlled by folding of the dolomite, brecciation, cross fractures, and by other factors not fully understood. For this reason the proposed work can be classed fairly as exploration. If the brecciation within the shear zone, that is believed to be an important factor in the ore deposition, should terminate, the ore shoots may also terminate. This has apparently occurred with the ore shoot just north of the shaft where the metal values declined above the 300 level. Should it eventuate that the brecciation has died out, it might be desirable to amend the contract to provide for raising. However, the two ore shoots being mined on the 500 level are strong. It is also possible that new ore shoots in the exploration area may be found. A mineralized structure cut approximately 260 feet north of the shaft may increase in metal content at depth. (See field sheet submitted by the company, pl. 6)

Exploration to test the downward extension of the north and south ore bodies by diamond drilling several holes from a crosscut driven in the hanging wall of the 500 level was considered but rejected because previous company diamond drilling has not been satisfactory.

In 1946, the company drilled six or eight holes off the 300 level; some of the holes probed the walls off the level, but three holes were drilled to cut the downward extension of the north ore body. Norman Smith, the company geologist, stated the results were very disappointing. He reported that none of the three holes drilled to test the downward extension of the north ore body indicated the presence of any mineral; yet, when the stope was advanced from the 400 level to the 300 level, the drill holes were

found crossing the ore body. Mr. Smith also reported that the diamond drilling was very expensive, diamond consumption was excessive, and core recovery unusually poor due to the raveling ground. Because of these facts, the company would not consider testing the downward extensions of the ore bodies by diamond drilling.

The possibility of sinking a second shaft from the north ore body was discussed with Norman Smith. He stated that he had considered this possibility but that a comparison of cost involved in both approaches showed that a second shaft would be only about $2,000 less. In other words, the south ore body and the ground between the south and north ore bodies will be explored at an additional cost of only $2,000 over the cost of exploring the north ore body through a shaft at that end. A large portion of the cost of a shaft at the north end of the mine is due to the cost of station preparation, hoist installation, installation of power lines, increase in tramming, and such labor as hoistmen and motormen.

The 300-foot level interval was discussed with the company officials. They proposed this interval in order to permit future development of two intermediate levels between the 500 level and the 800 level should the exploratory work be successful. These intermediate level intervals, which have proved advantageous for shrinkage mining, would be driven at the operator's expense.

If the ore bodies continue to the 800 level as exposed on the 500 level, the royalty from the net smelter returns from the expected reserves would more than repay the Government's share of the exploration costs.

CONCLUSIONS

It is concluded that the chance of making a significant discovery of lead-zinc ore bodies is good.

APPLICANT'S ESTIMATE OF COSTS

The applicant submitted the following project cost estimates with his application dated February 25, 1957.

	Item	Time schedule - weeks	Cost/ft.	Total cost
I	Preparatory work	2		$ 622.50
II	Shaft sinking - 300 feet	47	$245.70	73,711.65
III	Excavation:			
	800 station - 3,000 cu.ft.	3)		
	800 pump station - 4,000 cu.ft.	2)	0.799	7,990.00
	800 loading pocket - 3,000 cu.ft.	3)		
IV	Pumps & power installation on 800 level	1		
V	800 level drifting - 1,500 ft.	60	54.14	81,210.28
	Total cost of project 25'/wk.			$163,534.43

Discussions between the applicant and members of the Field Team resulted in the following modified proposed project, mutually agreeable to both parties.

	Item		Time schedule - weeks
I	Preparatory work		2
II	Shaft sinking - 300 feet		47
III	Excavation:		
	800 station - 3,000 cu.ft.)		
	800 pump station - 4,000 cu.ft.)	10,000 cu.ft.	6
	800 loading pocket - 3,000 cu.ft.)		
IV	Pumps & power installation on 800 level		1
V	800 level drifting and/or crosscutting:		
	north drift and/or crosscuts	- 1,900 ft.	
	west drift and/or crosscut	- 250 ft.	
		2,150 ft.	43 50'/wk.
VI	800 level long-hole drilling - 700 ft.		--
	Total time		99 weeks

The applicant furnished the following prevailing classified labor costs at the Clayton mine:

Underground labor:

1.	Cagers, top men, muckers - base pay	$15.84
	½ pay premium over 40-hr. week	1.32
	Direct labor cost	$17.16
	Insurance @ 10.5%	1.80
	Fringe benefits @ 8¢/hr.	.64
	Total cost to operator	$19.60 per shift
2.	Trammer, muck mach., etc. - base pay	$16.80
	½ pay premium over 4-hr. week	1.40
	Direct labor cost	$18.20
	Insurance @ 10.5%	1.91
	Fringe benefits @ 8¢/hr.	.64
	Total cost to operator	$20.75 per shift
3.	Miner on headings - base pay	$16.80
	Plus bonus av. 33-1/3% of base	5.60
	½ pay premium over 40-hr. week	1.87
	Direct labor cost	$24.27
	Insurance @ 10.5%	2.55
	Fringe benefits @ 8¢/hr.	.64
	Total cost to operator	$27.46 per shift
4.	Shaftmen:	
	Miner (sinking) - base pay	$20.80
	Plus bonus av. 33-1/3% of base	6.93
	½ pay premium over 40-hr. week	2.31
	Direct labor cost	$30.04
	Insurance @ 10.5%	3.16
	Fringe benefits @ 8¢/hr.	.64
	Total cost to operator	$33.84 per shift
5.	Supervision cost underground per shift:	
	Mine supt. - 50% of $710/mo.	$ 355.00
	Mine foreman	595.00
	Mine engineer	575.00
	General management - 50% of $500	250.00
	Total mine supervision/mo.	$1,775.00
	Average 416 underground shifts/mo.	

$$\frac{\$1,775}{416} = \$4.27 \text{ per man shift of underground labor}$$

(NOTE: Supervisors' fringe benefits and insurances are not included in the above figures.)

6.	Hoistman - base pay	$17.20
	½ pay premium over 40-hr. week	1.43
	Direct labor cost	$18.63
	Insurance @ 10.5%	1.96
	Fringe benefits @ 8¢/hr.	.64
	Total cost to operator	$21.23 per shift

7.	Jigger boss - sinking - base pay	$20.80
	Plus bonus av. 10%	2.08
	½ premium pay over 8-hr. week	1.91
	Direct labor cost	$24.79
	Insurance @ 10.5%	2.60
	Fringe benefits @ 8¢/hr.	.64
	Total cost to operator	$28.03 per shift

The following revised cost estimates were discussed with Norman Smith, general manager for the company. Mr. Smith supplied the cost estimates for materials and supplies and these are based on prevailing prices at Salt Lake City and the Coeur d'Alene district, plus freight to the mine. Most of their supplies are purchased at Salt Lake City. These estimates for supplies and the valuation for equipment to be used for the job seem reasonable. Freight averages about $2.04 per hundred pounds from Salt Lake City to the mine.

The power costs are extraordinarily high which increases the unit costs considerably. Mr. Smith stated that the power costs alone average about 18 percent of the total cost of overhead, mining, milling, taxes, etc. A portion of the electric power is purchased from REA at 1.75¢ per KWH. Some power is diesel-electric generated and costs approximately the same as REA power. Diesel oil costs 19 cents per gallon f.o.b. the mine. The power factor ranges between 75 and 80 percent which is unusually low; therefore, 1 KWH at 75 percent power factor is approximately 1 HP.

The 600 CFM diesel-driven air compressor consumes about 40 gallons of diesel per 8-hour shift.

Pumping power cost was calculated at three-eighths of the total cost since the shaft is planned to be deepened from the 500 level to the 800 level. Hoisting time was estimated at approximately 20 percent during shaft sinking and 50 percent during drifting. ?

Shaft sinking will be done only on a one-shift-per-day basis in order not to interfere with production. The drifting will be done on a two-shift-per-day schedule.

Fixed unit costs are recommended for shaft sinking, excavation of the 800 level station, loading pockets, pump sump, drifting and long-hole drilling.

Estimated cost of sinking shaft 300 feet

2-compartment, 10'8" x 5'8" outside timbers
1 set = $6\frac{1}{2}$ feet; 1 set per week of 6 days

Items of cost	Cost/set	Cost/ft.
(1) Independent contracts	none	none
(2) Labor and supervision		
2 shaftmen @ $33.84/day	$406.08	$62.47
1 hoistman @ 21.23/day	127.38	19.60
Total	$533.46	$82.07
(3) Operating materials and supplies		
Timber		
8" x 8", 416 bd.ft. @ $100/M, framed	41.60	6.39
Lagging, 442 bd.ft. @ $ 85/M	37.57	5.78
Guides, ladders, bolts and nails	9.00	1.38
Hanging rods, 3/4", 60 lbs. @ $500/T	15.00	2.31
Explosives	57.20	8.80
Drill steel and bits	11.70	1.80
Power		
Compressed air, 6 hrs. @ 5 gals./hr., @ 19¢/gal., 6 days	34.20	5.26
Electric:		
Pumping, 320 HP x 63¢* x 3/8	75.60	11.65
Hoisting, 75 HP @ 20% of time @ 1.75¢, 8 hrs., 6 days	12.60	1.94
Total	$294.47	$45.30

*1.75¢/HP x 6 hrs./day x 6 days = 63¢/HP

(3) Operating materials and supplies - continued:

Salvageable materials and supplies

				Total cost 300 feet	Cost/ft.
370 ft. - 4"	Pipe	@	$ 1.88	$ 695.60	$ 2.31
3 - 4"	Tees	@	7.547	22.64	0.07
2 - 4"	Gate valves	@	50.81	101.62	0.33
39 - 4"	Victaulic couplings	@	3.553	138.57	0.46
370 ft. - 1"	Pipe	@	0.28/ft.	103.60	0.34
3 - 1"	Plug valves	@	2.662	8.00	0.01
2 - 1"	Pressure reducers	@	23.35	46.70	0.15
350 ft. - 8"	Pipe column	@	4.55/ft.	1,592.50	5.31
43 - 8"	Victaulic couplings	@	10.697	459.97	1.54
1 - 8"	90° El.	@	28.93	28.93	0.10
2 - 8"	Tees	@	45.675	91.35	0.34
2 - 8"	Gate valves	@	158.17	316.34	1.05
230 ft. - 8"	Light pipe - drain	@	3.00/ft.	690.00	2.30
300 ft. - 2½"	8-ply hose	@	1.46	438.00	1.46
200 ft. - 3/4"	Air hose	@	0.858	171.60	0.57
200 ft. - 1/2"	Water hose	@	0.264	52.80	0.18
8 pr. - 3/4"	Couplings	@	3.45	27.60	0.09
8 pr. - 1/2"	Couplings	@	3.28	26.40	0.08
6 pr. - 2½"	Couplings	@	9.00	54.00	0.18
500 ft. - 10/4	Signal cord	@	55.00/C	275.00	0.92
3 -	Junction boxes	@	6.75	20.25	0.07
3 -	Signal switches	@	26.50	79.50	0.27
3 -	Buzzer signals	@	18.00	54.00	0.18
1 -	Bell signal	@	35.00	35.00	0.12
Total				$5,529.97	$18.43
Salvageable value of shaft supplies @ 50%				$2,764.99	$ 9.22

(4) Operating Equipment (depreciation @ 1/60 per month)

		Value
1 - 600 CFM diesel air compressor, ½ time	@ $6,000	$3,000.00
2 - Drills complete with oilers, etc.	@ 1,000	2,000.00
1 - Locomotive, complete with battery and charger, ½ time	@ 7,000	3,500.00
1 - Mine car, ½ time	@ 632	316.00
2 - 25 HP electric pumps	@ 996	1,992.00
1 - 15 HP electric pump	@ 750	750.00
2 - Jet pumps	@ 100	200.00
2 - Tugger hoists	@ 1,000	2,000.00
1 - Surface hoist, ½ time	@ 8,320	4,160.00
1 - Skip and bonnet, ½ time	@ 1,025	512.50
Total		$18,430.50

Depreciation per month	$307.18
Depreciation per shift	11.81
Depreciation per foot	10.94

(5) Initial Rehabilitation and Repairs

Preparatory work - labor, 30 shifts @ $20.75/shift - total $622.50 $2.08/ft.

(6) New Buildings, Improvements, etc. none

(7) Miscellaneous none

(8) Contingencies none

Total cost per foot $149.61

Summary of Shaft Sinking Cost/Ft.

(1)	Independent contracts	None
(2)	Labor and supervision	$ 82.07
(3)	Operating materials and supplies	45.30
	Salvageable materials and supplies	9.22
(4)	Operating equipment (depreciation charge)	10.94
(5)	Initial rehabilitation and repairs	2.08
(6)	New buildings, improvements, etc.	None
(7)	Miscellaneous	None
(8)	Contingencies	None
	Total cost per foot	$149.61

Estimated Cost of Excavating 800 Level Station, Pump Sump and Pockets, - total 10,000 cu.ft.

Average 260 cu. ft. per shift

	Items of Cost	Cost/shift	Cost/cu.ft.
(1)	Independent contracts	None	None
(2)	Labor and supervision		
	2 miners @ $27.46/shift	$54.92	$0.2112
	1 hoistman @ 21.23/shift	21.23	0.0817
		$76.15	$0.2929
(3)	Operating materials and supplies		
	Explosives	23.66	0.091
	Drill steel and bits	18.46	0.071
	Power		
	Compressed air, 40 gals/shift @ 19¢/gal.	7.60	0.029
	Electric		
	Pumping - 320 HP x 1.75¢ x 6 hrs. x 3/8	12.60	0.048
	Hoisting - 75 HP @ 1.75¢ x 8 hrs.	10.50	0.040
			$0.279
(4)	Operating equipment (depreciation @ 1/60 per mo.)		
	1 - Drill, complete with oiler, etc.		$ 1,000.00
	1 - Mucking machine		3,456.00
	1 - Locomotive with battery and charger		7,000.00
	3 - Mine cars @ $632		1,896.00
	2 - 25 HP pumps @ $996		1,992.00
	1/2 Hoist @ $8320		4,160.00
			$19,504.00
	Depreciation per month	$325.07	
	Depreciation per shift	12.50	
	Depreciation per cubic foot	0.048	
(5)	Initial rehabilitation and repairs	None	
(6)	New buildings, improvements, etc.	None	
(7)	Miscellaneous	None	
(8)	Contingencies	None	
	Total Cost per cubic foot		$0.62

Summary of Excavation Cost - 800 Level

(1)	Independent contracts	None
(2)	Labor and supervision	$0.2929
(3)	Operating materials and supplies	0.279
(4)	Operating equipment (depreciation charge)	0.048
(5)	Initial rehabilitation and repairs	None
(6)	New buildings, improvements, etc.	None
(7)	Miscellaneous	None
(8)	Contingencies	None
	Total cost per cubic foot	$0.6199 or $0.62

Estimated Cost of Drifting and/or Crosscutting

2,150 feet, 4.15 feet/shift, 2 shifts/day

Items of Cost	Cost/shift	Cost/ft.
(1) Independent contracts	None	None
(2) Labor and supervision		
2 miners @ $27.46/shift	$54.92	$13.23
1 motorman @ 19.60/shift	19.60	4.72
1/2 hoistman @ 21.23/shift (for 3d shift)	10.62	2.56
	$85.14	$20.51
(3) Operating materials and supplies		
Explosives	5.69	1.37
Drill steel and bits	0.90	0.22
Track supplies		
3.2 lbs. spikes/ft. @ 25¢		0.80
0.371 lbs. joints/ft. @ 25¢		0.10
Bolts		0.04
Freight		0.07
Ties		0.25
Power, compressed air, 40 gals. @ 19¢	7.60	1.83
" , electric		
Pumping, 320 HP x 1.75¢ x 8 x 3/8	16.80	4.05
Hoisting, 75 HP x 1.75¢ x 4 hrs.	5.25	1.27
		$10.00

Salvageable Materials and Supplies

		Total Cost	Cost/ft.
4,300 ft. 20# rail @ $290.80 f.o.b. mine or 97¢/ft.		$4,171.00	$1.94
2,150 ft. 3" air pipe	@ $1.215	2,612.25	1.21
125 - 3" Victaulic couplings	@ 2.382	297.75	0.14
10 - 3" Victaulic tees	@ 4.893	48.93	0.02
6 - 3" Victaulic ells	@ 3.253	19.50	0.01
3 - 3" Gate valves	@ 33.78	101.34	0.05
3 - 3" Plug valves	@ 29.113	87.33	0.04
2,150 ft. 1" pipe	@ 0.28	602.00	0.28
15 - 1" plug valves	@ 2.66	39.90	0.02
1,600 ft. 14" vent pipe	@ 1.54	2,464.00	1.15
		$10,444.00	$4.86
Salvageable value at 50%		$ 5,222.00	$2.43

			Value
(4)	Operating Equipment (depreciation @ 1/60 per month)		
	1 - 600 CFM diesel air compressor, ½ time @ $6,000.00		$ 3,000.00
	1 - Drifter, complete		1,000.00
	1 - Mucking machine		3,456.00
	1 - Locomotive, battery and charger		7,000.00
	3 - Mine cars	@ $ 632.00	1,896.00
	2 - 60 HP pumps and motors	@ 2,500.00	5,000.00
	½ - Hoist	@ 8,320.00	4,160.00
	1 - Ventilation fan		1,200.00
			$26,712.00

Depreciation per month	$445.20
52 shifts/month	8.56/day
Depreciation per foot	1.03

(5)	Initial rehabilitation and repairs	None
(6)	New buildings, improvements, etc.	None
(7)	Miscellaneous	None
(8)	Contingencies	None
	Estimated cost per foot of drift and/or crosscut	$33.97

Summary of Drift and/or Crosscut Cost

(1)	Independent contracts	None
(2)	Labor and supervision	$20.51
(3)	Operating materials and supplies	10.00
	Salvageable materials and supplies	2.43
(4)	Operating equipment (depreciation charge)	1.03
(5)	Initial rehabilitation and repairs	None
(6)	New buildings, improvements, etc.	None
(7)	Miscellaneous	None
(8)	Contingencies	None
	Total cost per foot	$33.97

SUMMARY OF ESTIMATED COST OF PROJECT

	Fixed Unit Costs	Cost/ft.	Total cost
	Shaft sinking, 300 feet	$149.61	$ 44,883.00
	Excavating 800 level station, loading pockets and pump sump, 10,000 cu.ft.	0.62/cu.ft.	6,200.00
	800 level drifts and/or crosscuts, 2,150 feet	33.97	73,035.50
	Long-hole drilling, 700 ft.	1.00	700.00
(1)	Independent Contracts		None
(2)	Labor and Supervision		
	Engineer-geologist, 23 mos. @ $400/mo.		9,200.00
(3)	Operating Materials and Supplies		None
(4)	Operating Equipment		None
(5)	Initial Rehabilitation and Repairs		622.50
(6)	New Buildings, Improvements, etc.		None
(7)	Miscellaneous		
	200 samples for silver, lead and zinc @ $4.00/sample		800.00
(8)	Contingencies		None
	Total		$135,441.00
	Government participation @ 50 percent		$ 67,720.50

Attachments 6

Distribution:
DMEA (4)
USBM (5)
USGS(SRO)
Docket
Nickelson

FRANCES:

I retyped the first page of this letter--original and all copies except the docket copy.

Hazel

DMEA Form 7
(12-5

500

OFFICIAL FILE COPY

Date	Surname	Code
4/5	[illegible]	500
	[illegible]	500
4/5	[illegible]	120
"	[illegible]	110
"	[illegible]	100
		525

APR 8 - 1957

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

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Dear Mr. Weissenborn:

We note by your letter, dated March 20, 1957, that the cited property was examined by the Field Team about Friday, March 22. Therefore, we will hold this application in abeyance until we receive your report and recommendations.

As the ore body has extended from the tunnel level to the 500 level (present workings), it does appear that the Applicant's proposal is in the nature of development work. However, this is a questionable matter and we believe that it should be resolved by the Field Team. We are inclined to agree with you that there is no assurance that the oreshoots will continue in depth. Furthermore, there is a possibility that oreshoots may be encounted lying in the intervening area between the two principal shoots.

In the event that you should consider the application favorably, we would appreciate receiving a property map showing the proposed work. The map should be of a size which can attached to the copies of a contract if one is granted.

The Applicant's estimated costs for the proposed work are excessively high and should be carefully reviewed by the Field Team. If the equipment as listed by the Applicant is not new, an estimate should be made of its present value.

8623

We wish to call your attention to the recommendation of the commodity members in regard to diamond drilling from the 500 level to determine the possible downward extension of the oreshoots.

Copies of memoranda dated March 4 and March 25, 1957, by O. M. Bishop, Bureau of Mines, and N. E. Nelson, Geological Survey, respectively, relating to the project, are enclosed for your information.

Also enclosed is one copy of the application for the cited property for the use of the Field Team.

As requested in your letter of February 26, 1957, we are returning the set of three maps to you.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (JHB)

Enclosures

APPROVED:

Frank D. Lamb (JHB)
Member, Bureau of Mines

Thor H. Kiilsgaard (JHB)
Member, Geological Survey

JWAlt/er 4/4/57
Copy to: Docket
Admr R File
Op. Committee
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

DMEA Form 7
(12-56)

500

OFFICIAL FILE COPY

Date	Surname	Code
4/5	Alt.	500
	Insinold	500
		130
		110
		100
		225

500.

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

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Dear Mr. Weissenborn:

We note by your letter, dated March 20, 1957, that the cited property was examined by the Field Team about Friday, March 22. Therefore, we will hold this application in abeyance until we receive your report and recommendations.

As the ore body has extended from the tunnel level to the 500 level (present workings), it does appear that the Applicant's proposal is in the nature of development work. However, this is a questionable matter and we believe that it should be resolved by the Field Team, ~~if an examination of the property is made~~. We are inclined to agree with you that there is no assurance that the oreshoots will continue in depth. Furthermore, there is a possibility that oreshoots may be encountered lying in the intervening area between the two principal shoots.

In the event that you should consider the application favorably, we would appreciate receiving a property map showing the proposed work of a size which can be attached to the copies of a contract, ~~if the Applicant should be granted Government exploration assistance~~.

The Applicant's estimated costs for the proposed work are excessively high and should be carefully reviewed by the Field Team. If the equipment as listed by the Applicant is not new, an estimate should be made of its present value.

8623

DMEA Form 7
(12-56)

500

OFFICIAL FILE COPY

Date	Surname	Code
4/4	ALO	500
	Trimmel	500
		130
		110
		100
		225
		500

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

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Dear Mr. Weissenborn:

The cited application is being referred to your office for consideration, a field examination of the property if warranted, and recommendation.

As the ore body has extended from the tunnel level to the 500 level (present workings), it does appear that the Applicant's proposal is in the nature of development work. However, this is a questionable matter and we believe that it should be resolved by the Field Team if an examination of the property is made. We are inclined to agree with you that there is no assurance that the oreshoots will continue in depth. Furthermore, there is a possibility that oreshoots may be encountered lying in the intervening area between the two principal shoots.

In the event that you should consider the application favorably, we would appreciate receiving a property map showing the proposed work of a size which can be attached to the copies of a contract, if the Applicant should be granted Government exploration assistance.

The Applicant's estimated costs for the proposed work are excessively high and should be carefully reviewed by the Field Team. If the equipment as listed by the Applicant is not new, an estimate should be made of its present value.

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
4/5		500
		500
4/5		130
"		110
"		100
4/8		225

500.

4/5 Land (130)
4/5 Kilsgaard (130)

APR 8 - 1957

Mr. Norman M. Smith
General Manager
Clayton Silver Mines
Sunshine Star Route
Kellogg, Idaho

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Dear Mr. Smith:

Copies of your application have been forwarded to this office by Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region I, Northwest District, who informed us that an examination of the cited property was scheduled to be made at an early date.

As soon as we receive the examination report, we will continue processing your application.

Sincerely yours,

C. O. Mittendorf

Administrator

JWAlt/er 4/4 &5/57
Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Region I, NW Dist. (2)
Chron.

8623

IN REPLY REFER TO:

OFFICIAL FILE COPY
DMEA
RECEIVED MAR 25 1957

DATE	INITIALS	CODE
3/26	C	220
3/28 3/26	acc	500

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

March 25, 1957
Re: DMEA 4659
Clayton Silver Mines
Clayton Mine
Custer County, Idaho
$163,534.43 - lead, zinc

Memorandum

To: W. R. Griswold, Defense Minerals Exploration Administration

From: N. E. Nelson, U. S. Geological Survey

Subject: Review of application

The applicant requests assistance in exploring for and developing the downward extensions of 2 oreshoots known at the 500 level of a highly productive small mine. The proposed new level is 300 on dip below the 500 level.

Four oreshoots were mined in the upper levels, but on the 500 or now bottom level, only 2 oreshoots are known, one of which, the smaller, is at the south end of the mine near the shaft. The larger shoot is 1050 feet to the north of the shaft with as known, barren structure between the 2 oreshoots.

The mine has been in production since 1936, in which time 641,963 tons of about $12.80 ore has been produced. If the oreshoots extend full size to the new proposed level, about 240,000 tons of ore would become available, and the prospective royalty could be cared for.

The work proposed savors much of development and probably is so regarded by the applicant. About 1600 feet of diamond-drilling from two 120-foot crosscuts at the 500 level would explore the possible downward extension of the 2 oreshoots.

Referral of the application to the Field Team is recommended.

N. E. Nelson

N. E. Nelson

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY
DMEA
RECEIVED MAR 25 1957

DATE	INITIALS	CODE
3/26	C	220
3/26	JWA	500

March 20, 1957

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

Re: Docket No. DMEA-4659 (Lead-Zinc)
Clayton Silver Mines
Clayton Mine
Custer County, Idaho

Dear Mr. Selfridge:

We have a field crew (Bardill and Nickelson) in the central Idaho area making inspections of going projects and examinations of referred properties. They reported today by telephone that because of snow they will be unable to examine the Leesburg Uranium, Inc. properties (Dockets DMEA-4308 and DMEA-4521), both of which have been referred to the Field Team, and suggested that they examine the Clayton Silver about Friday, March 22, 1957 even though the docket has not yet been referred to us for examination. As they will pass very close to the property, they were instructed to go ahead with this plan.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW District

cc: USBM (2)
Nickelson

OFFICIAL FILE COPY
DMEA
RECEIVED MAR 5 1957

DATE	INITIALS	CODE
3/5	C	220
3/8 3/6	JWA	500
Memorandum		

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

March 4, 1957

Re: DMEA 4659; Pb-Zn; $163,534
Clayton Silver Mine
(Norman M. Smith)
Bayhorse Mining District
Custer County, Idaho

To: W. R. Griswold, DMEA

From: O. M. Bishop, Branch of Base Metals

Subject: Application dated February 25, 1957, received February 28, 1957.

The applicant requests assistance in exploring a 6-claim group which forms part of the company's 36-claim holdings in the area. At present the main workings of the Clayton mine consists of a 630-foot shaft with 5 working levels, producing slightly over 100 tons of lead-zinc-silver ore daily. The ore is mined from pod-shaped masses which occur in a 150-foot wide shear zone which traverses the east flank of an assymetrical anticline. The shear zone and contained ore masses are confined to the steeply-dipping 500-foot thick Clayton dolomite. The largest ore shoot found to-date is 350 feet long, has an average width of 35 feet and a vertical extent of 550 feet above the 500-foot level. At the sill of the 500-foot level the shoot is 250 feet long by 25 feet wide.

The applicant proposes to explore the downward extension of this ore shoot by sinking the existing Clayton 2-compartment shaft 300 feet, excavating an 800 level station, pumping sump and loading pockets, and drifting 1,500 feet to get beneath the ore shoot.

The work as outlined appears to be chiefly development rather than exploration. I recommend that the application be referred to the field team to determine if downward diamond drill holes will not adequately locate the position and limits of the ore body at far less cost. If the proposal as made is believed legitimate, then it would appear the cost items should be reduced. There is no apparent reason for a one-face operation to have such a load of supervision, nor does the one-shift 5-day week seem reasonable.

O. M. Bishop

O. M. Bishop

Copy to: Division of Minerals
Mr. Lamb
Files
Mr. Kiilsgaard
Mr. Bishop

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 28 1957

DATE	INITIALS	CODE
2/28	C	220
	returned to region	2/28

4659

MDXXXXXX-1 57K

VWD196 WAF SP 40 I-GC-G

SPOKANE WASH 2-27-57 442P

GEORGE C. SELFRIDGE

CHAIRMAN OPERATING COMMITTEE, DMEA, DEPT OF INTERIOR

WA

ON FEBRUARY 26 WE AIRMAILED TO YOU A NEW APPLICATION FROM CLAYTON SILVER MINES, CUSTER COUNTY, IDA. I MUST HAVE INADVERTENTLY MAILED ONE COPY ALSO. WOULD APPRECIATE YOUR RETURNING IT TO US.

EVA M. RAYMOND, SECRETARY - REGION I, NORTHWEST DIST.

28

WA 442P

FEB 28 8 55 AM '57
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

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

February 28, 1957

Mr. Norman M. Smith
Clayton Silver Mines
Sunshine Star Rt.
Kellogg, Idaho

Subject: DMEA-4659

Dear Mr. Smith:

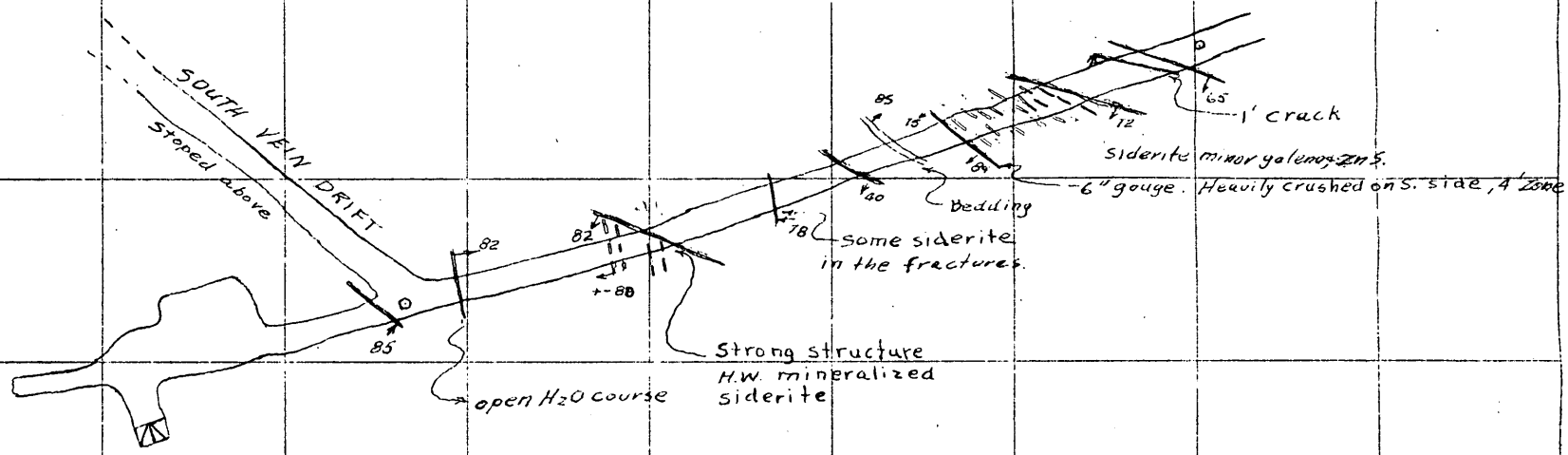
Your application for exploration assistance, dated February 25, 1957 submitted to our office at Spokane, Washington has been assigned Docket Number DMEA-4659 and referred to the Base Metals Division in the Washington office. Kindly identify all future correspondence relating to your application by this Docket Number.

Sincerely yours,

Allen S. Dakan, Director
Operations Control and
Statistics Division

Copy to: Code 500

6416



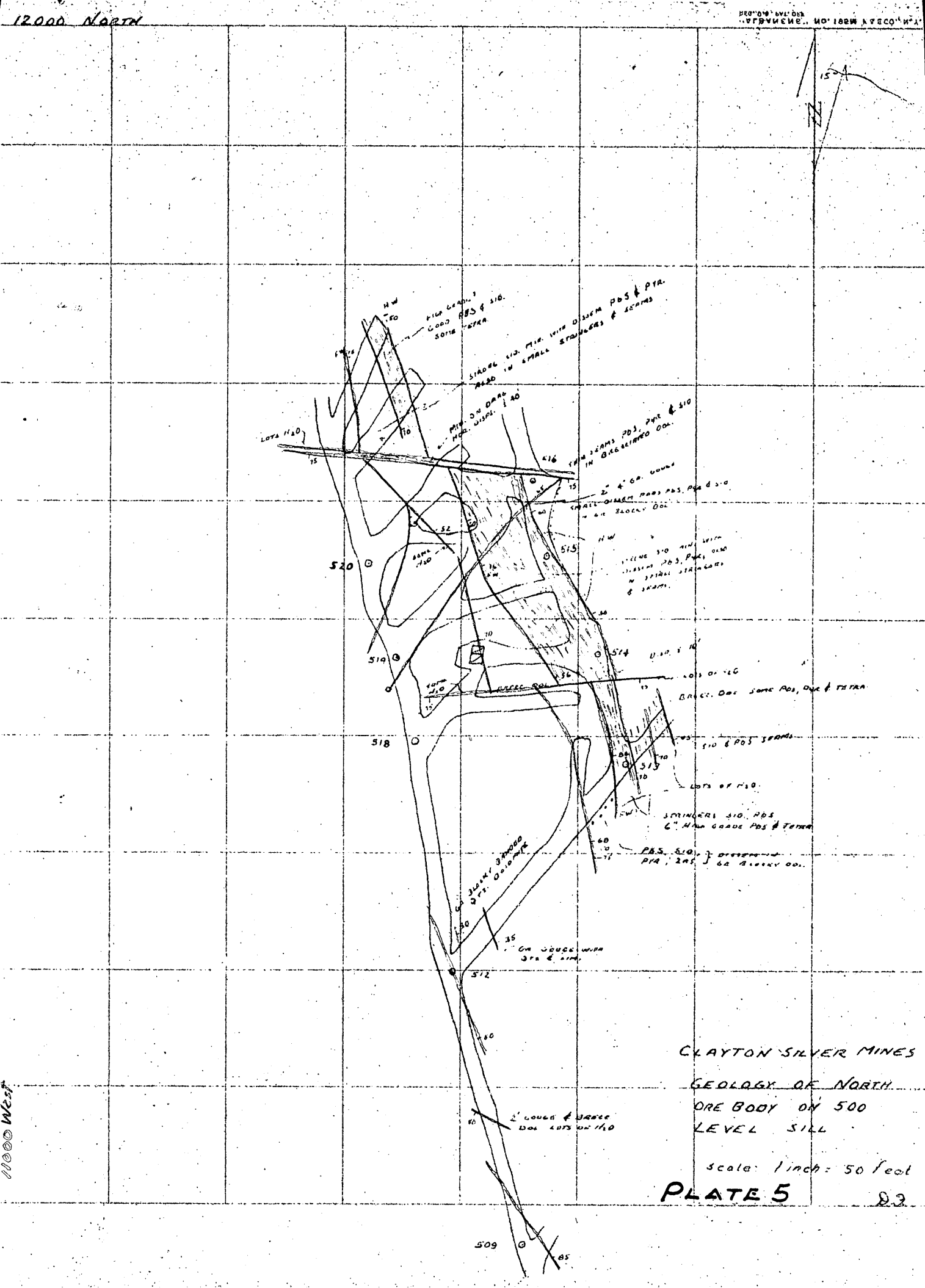
N

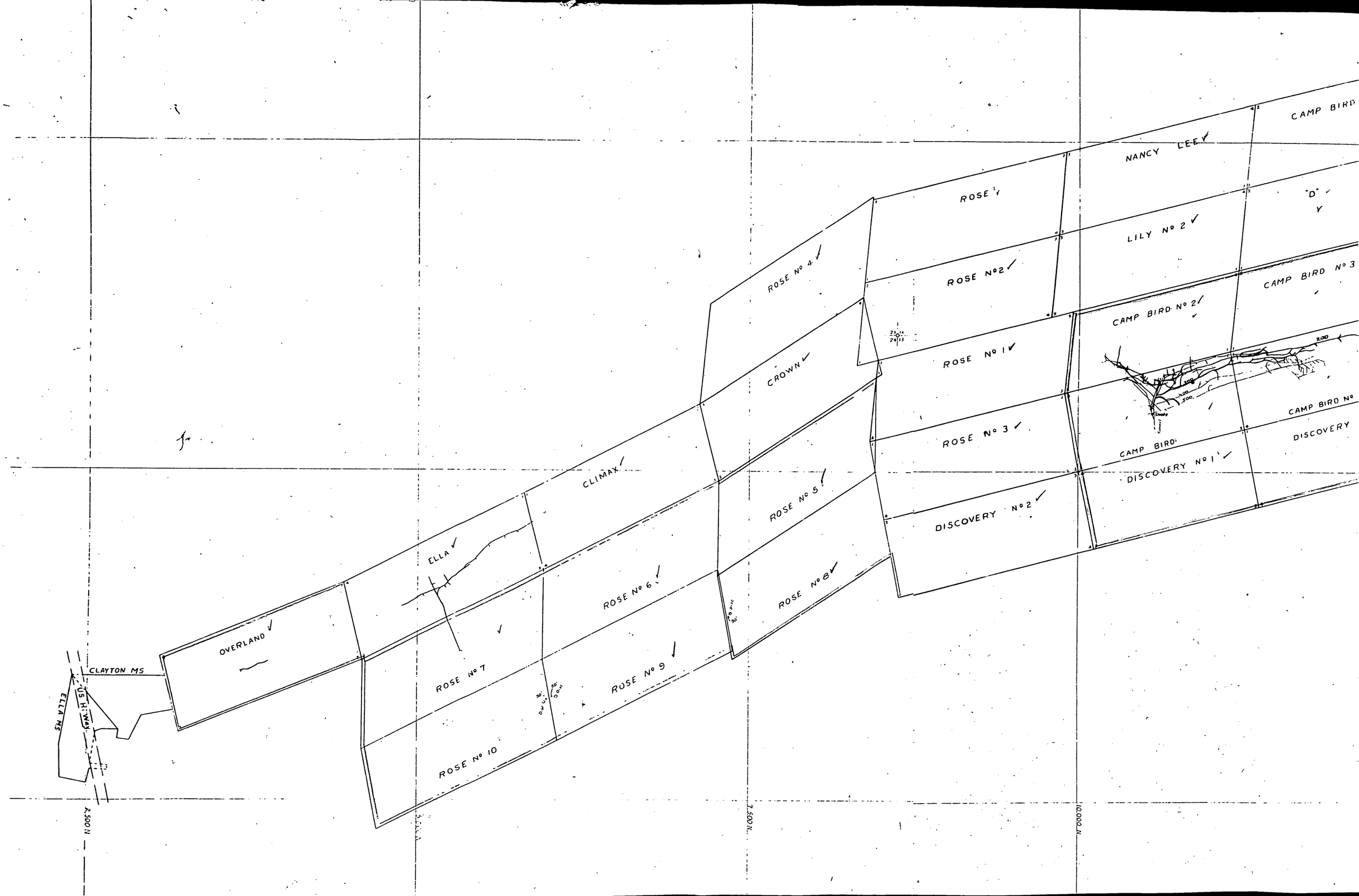
CLAYTON SILVER MINE
500 LEVEL
CUSTER CO IDAHO
1"=50'

PLATE 6

Copied from company field sheet. HDN 8-57

"ALBANENE" NO. 196M K&E CO., N.Y.
REG. U.S. PAT. OFF.


12000 NORTH
11000 WEST
N
520
519
518
517
516
515
514
513
512
509
CLAYTON SILVER MINES
GEOLOGY OF NORTH
ORE BODY ON 500
LEVEL SILL
Scale: 1 inch = 50 feet
PLATE 5


NANCY LEE
CAMP BIRD
ROSE
"D"
LILY No 2
ROSE No 4
ROSE No 2
CAMP BIRD No 3
CAMP BIRD No 2
CROWN
ROSE No 1
CAMP BIRD No
DISCOVERY
ROSE No 3
CAMP BIRD
DISCOVERY No 1
CLIMAX
ROSE No 5
DISCOVERY No 2
ELLA
ROSE No 6
ROSE No 8
OVERLAND
CLAYTON MS
ROSE No 7
ROSE No 9
ELLA MS
U.S. HIGHWAY
ROSE No 10
3,500 N
7,500 N
10,000 N

On-Site Report
Maps - Old Leams -
5-7-57

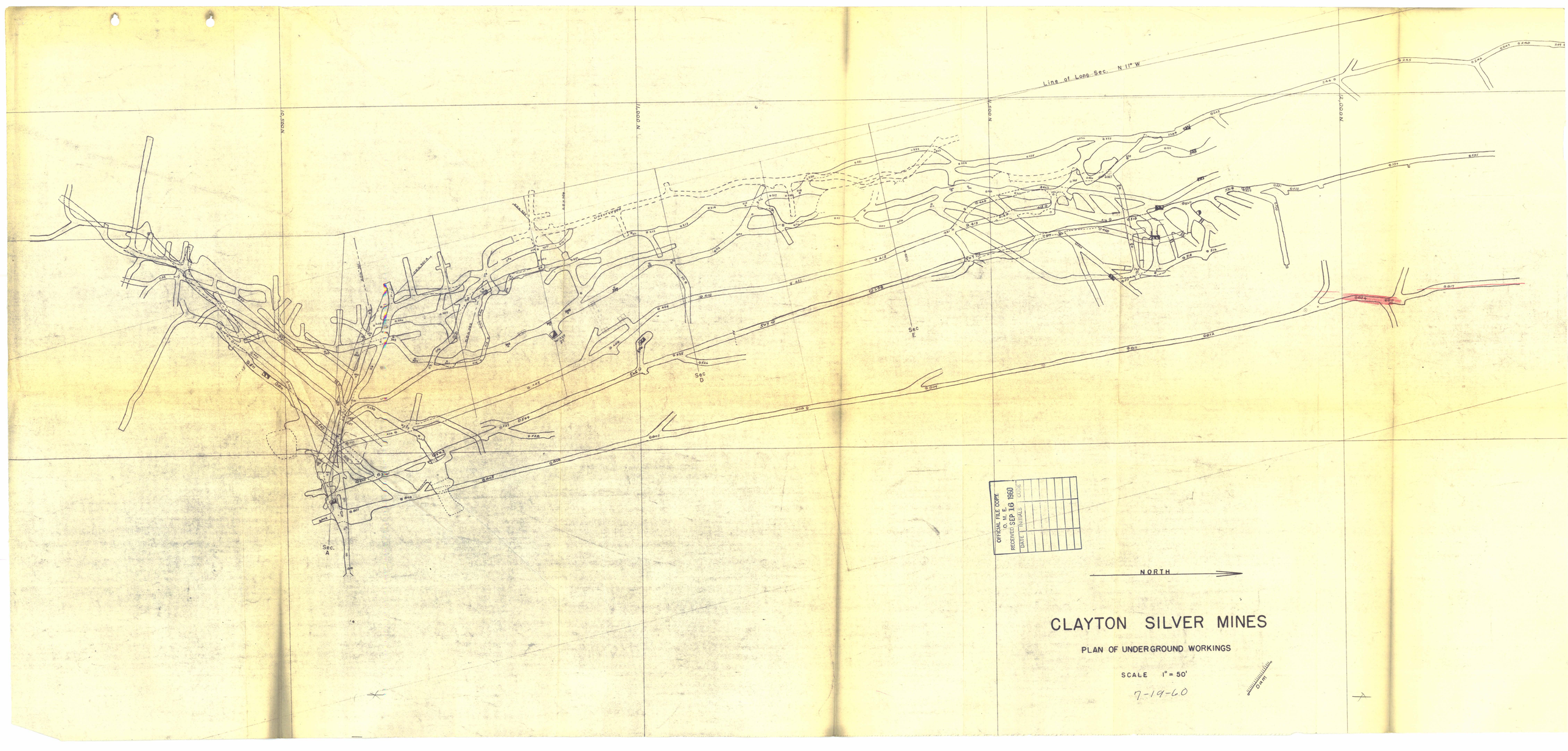
UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS
EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

OFFICIAL BUSINESS

PAYMENT OF POSTAGE, $300
(PMGC)

Mr. George C. Selfridge
Chairman, Operating Committee
Defense Minerals Explor. Admin.
Department of the Interior
Washington 25, D. C.

1955

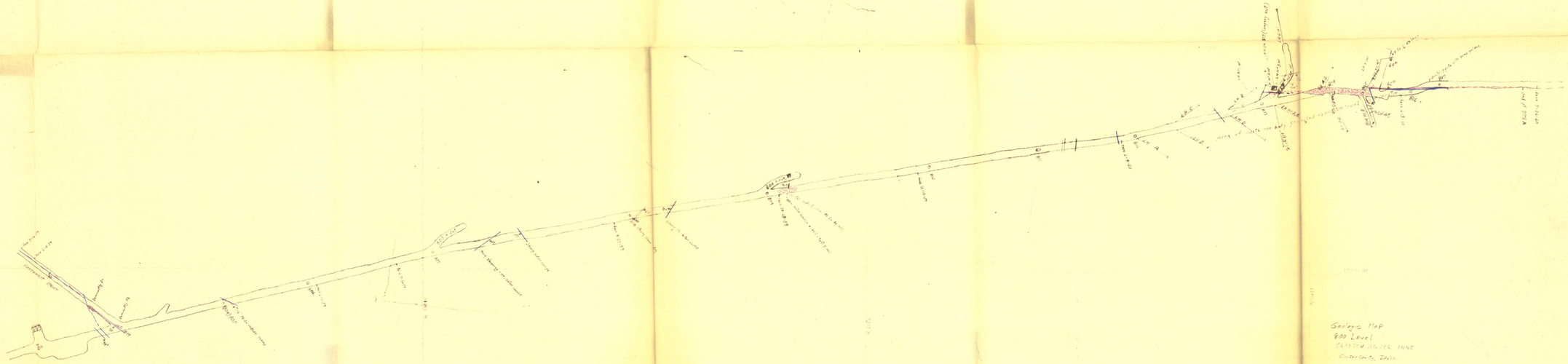

Line of Long Sec. N 11° W
N 000'
N 000'
N 000'
N 000'
Sec. A
Sec D
Sec E
NORTH
CLAYTON SILVER MINES
PLAN OF UNDERGROUND WORKINGS
SCALE 1" = 50'
7-19-60
OFFICIAL FILE COPY
DATE
RECEIVED SEP 16 1960
DATE
INITIALS
CODE

United States
Department of the Interior

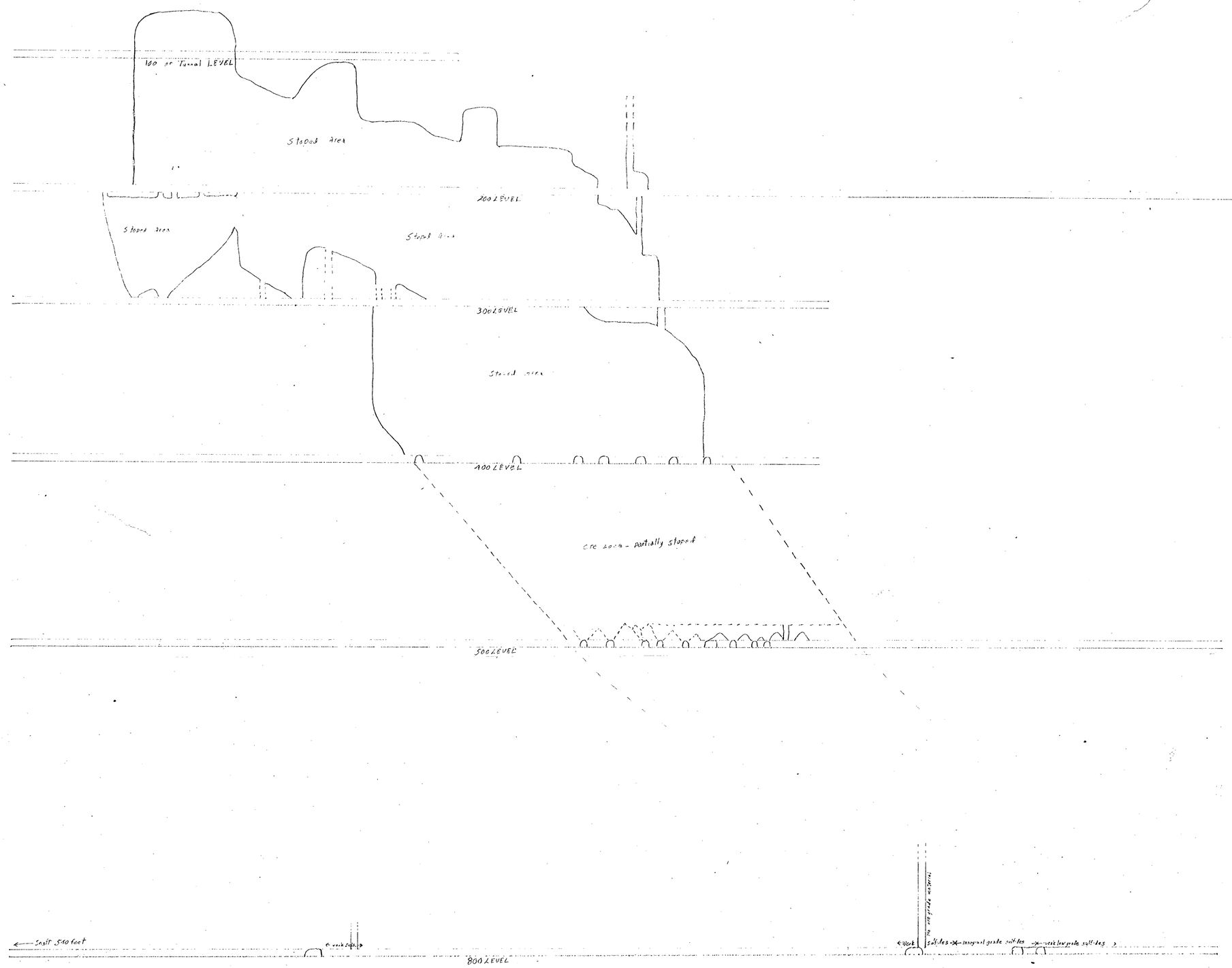
OFFICIAL FILE COPY
O. M. E.
RECEIVED DEC 27 1960
DATE

DMEA-ONE
Final Report

Docket No DMEA 4659



Docket No. 4659



Longitudinal Section A-A' looking S 79° W
Clayton Silver Mines
Custer County Idaho

100 50 0 100 feet

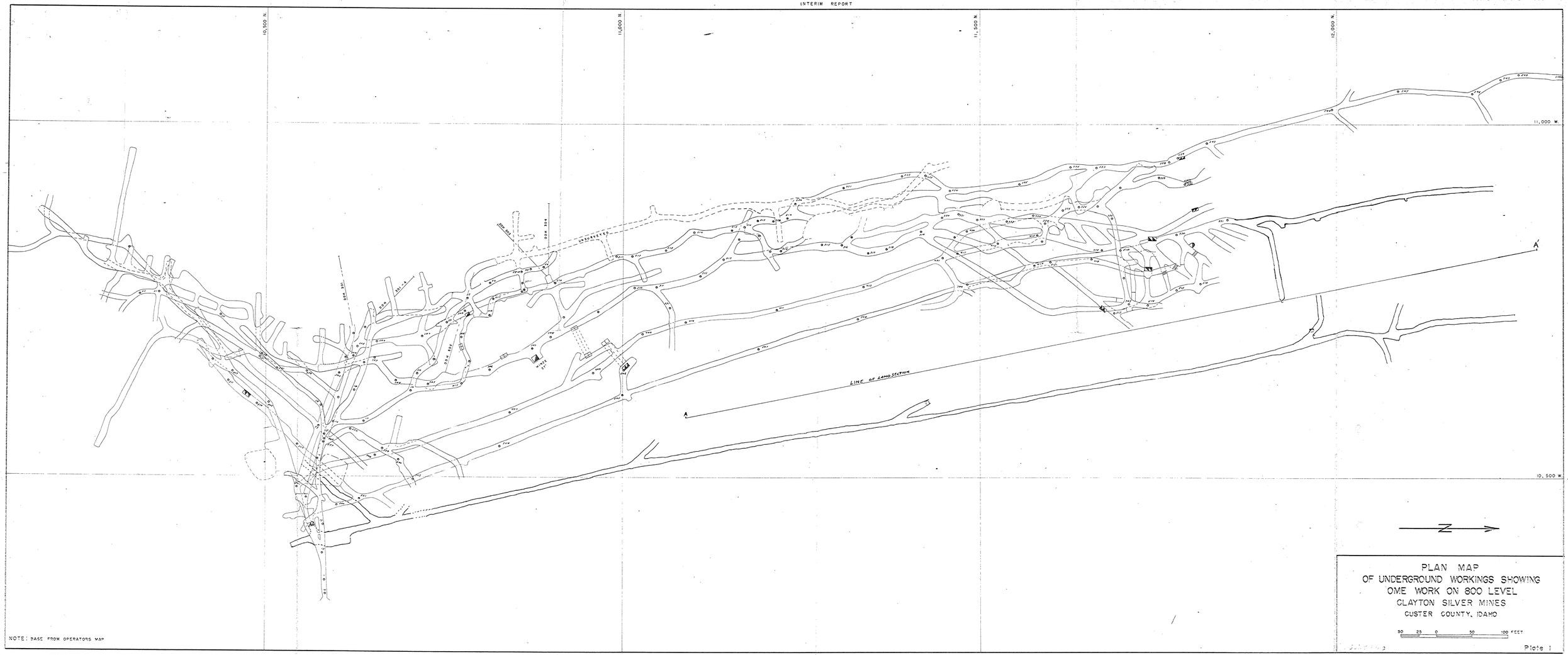
D.R.H. July 1960

Plate 3

UNITED STATES
DEPARTMENT OF THE INTERIOR

PREPARED FOR
OFFICE OF MINERALS EXPLORATION
INTERIM REPORT

DOCKET NO. OMEA 4659

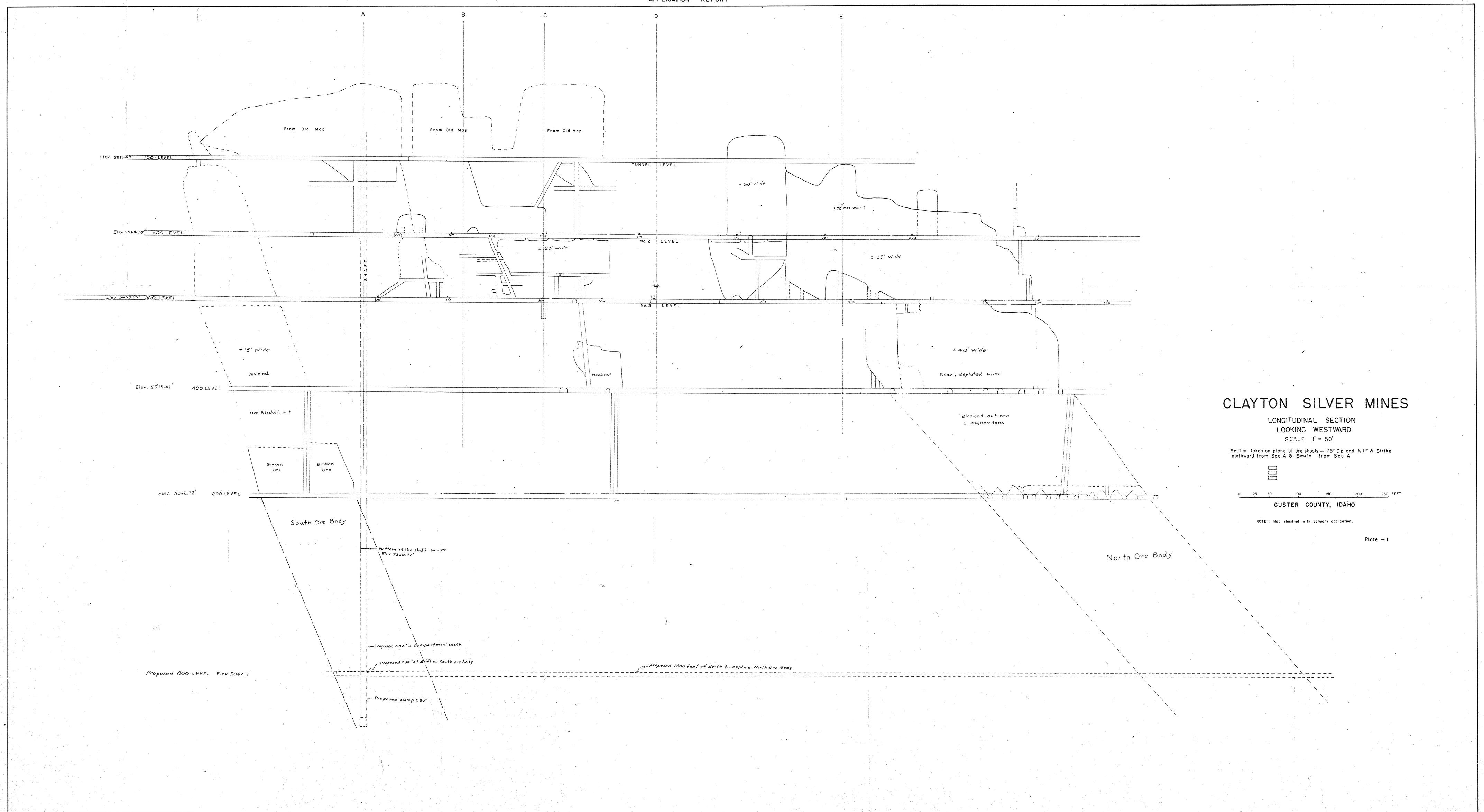


PLAN MAP
OF UNDERGROUND WORKINGS SHOWING
OME WORK ON 800 LEVEL
CLAYTON SILVER MINES
CUSTER COUNTY, IDAHO

50 25 0 50 100 FEET

NOTE: BASE FROM OPERATORS MAP

Plate 1



CLAYTON SILVER MINES

LONGITUDINAL SECTION
LOOKING WESTWARD
SCALE 1" = 50'

Section taken on plane of ore shoots — 75° Dip and N 11° W Strike northward from Sec A & South from Sec A

0 25 50 100 150 200 250 FEET

CUSTER COUNTY, IDAHO

NOTE : Map submitted with company application.

Plate — I

Plate I

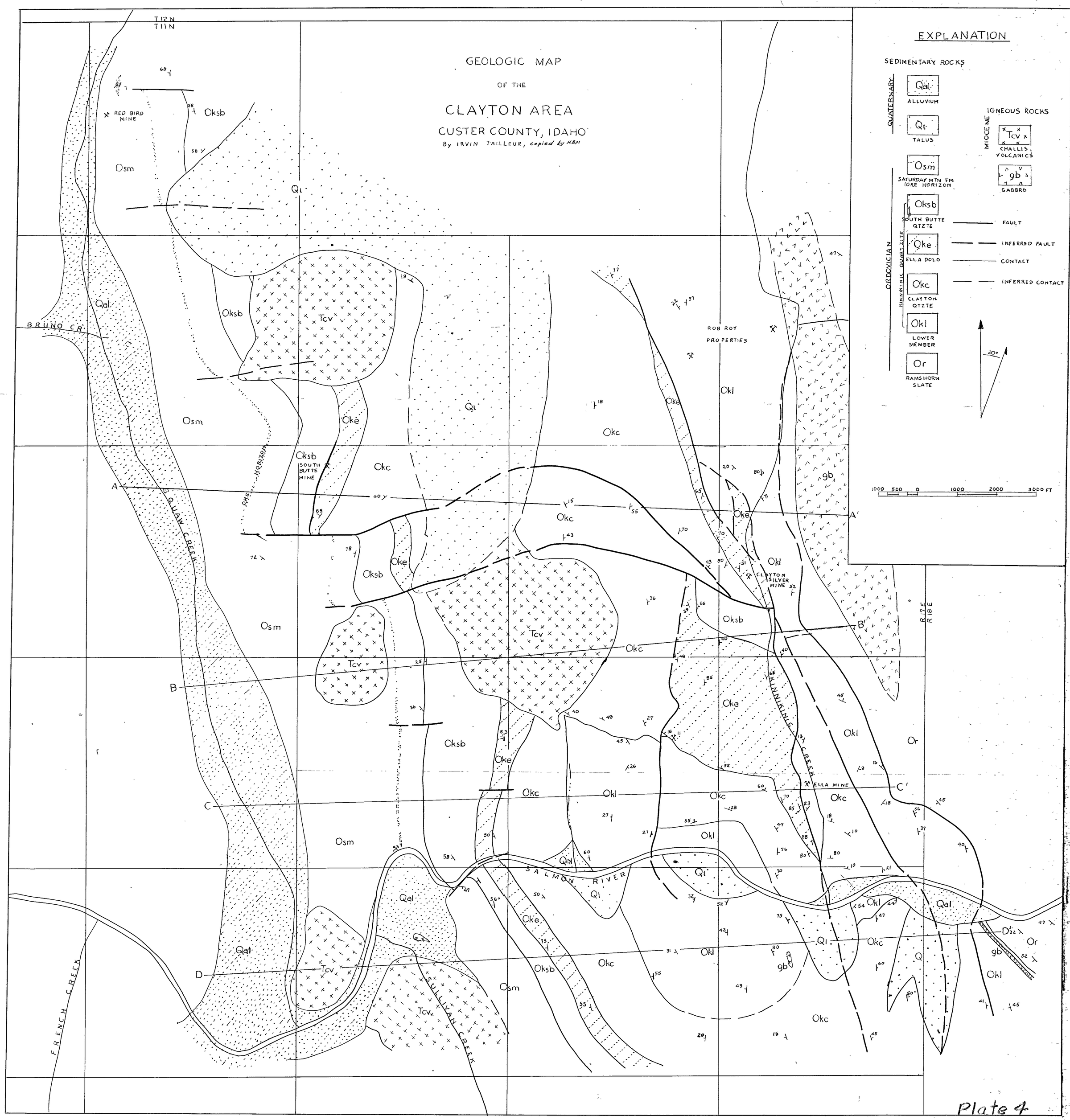
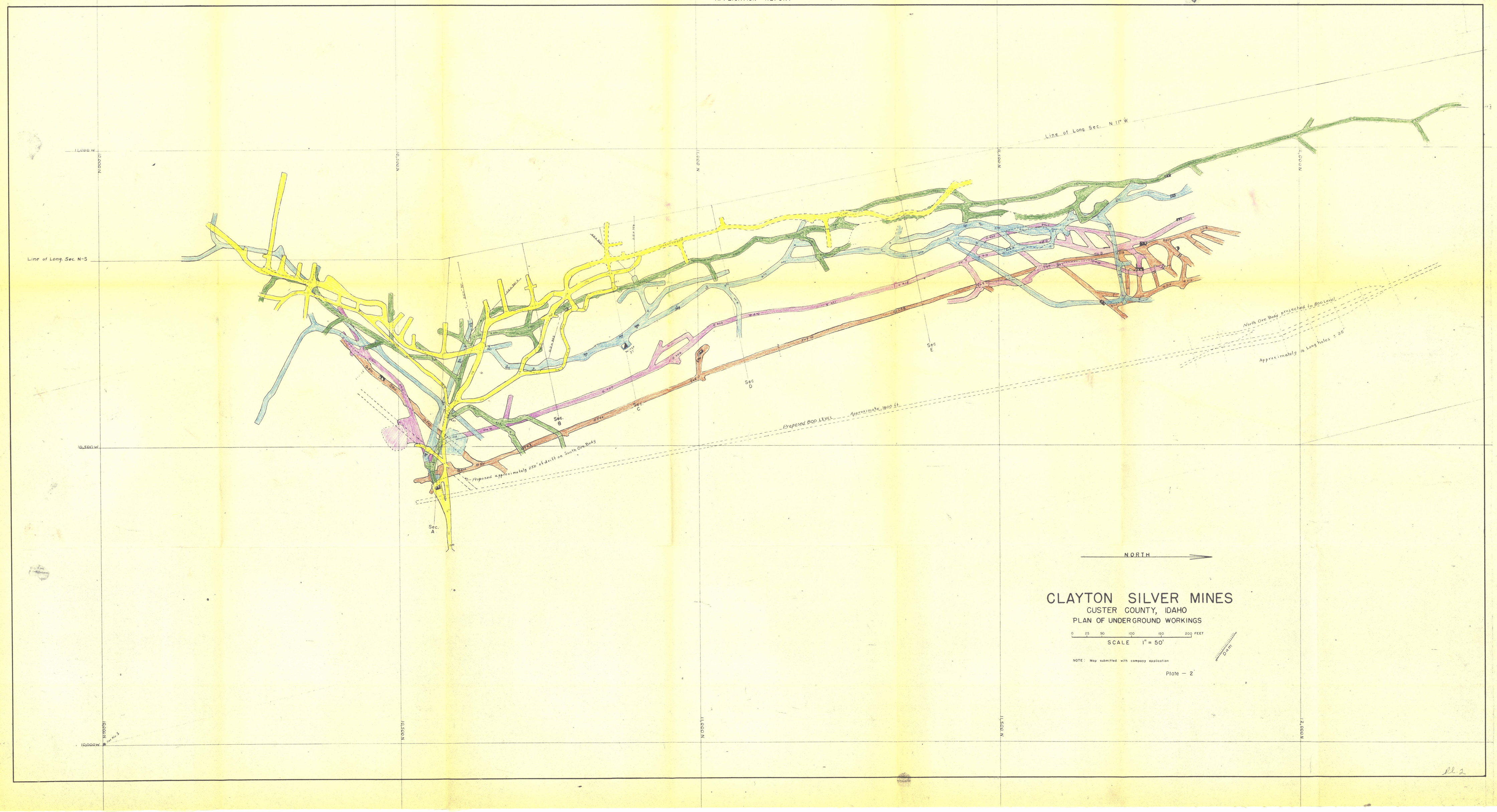

GEOLOGIC MAP
OF THE
CLAYTON AREA
CUSTER COUNTY, IDAHO
By IRVIN TAILLEUR, copied by H.B.N
EXPLANATION
SEDIMENTARY ROCKS
QUATERNARY
Qal
ALLUVIUM
Ql
TALUS
Osm
SATURDAY MTN FM (ORE HORIZON)
Oksb
SOUTH BUTTE QTZTE
Oke
ELLA DOLO
Okc
CLAYTON QTZTE
Okl
LOWER MEMBER
Or
RAMSHORN SLATE
ORDOVICIAN
KINNIKINIC QUARTZITE
IGNEOUS ROCKS
MIOCENE
Tcv
CHALLIS VOLCANICS
gb
GABBRO
FAULT
INFERRED FAULT
CONTACT
INFERRED CONTACT
20°
1000 500 0 1000 2000 3000 FT
T12N
T11N
R17E
R18E
RED BIRD MINE
BRUNO CR.
QUAW CREEK
SOUTH BUTTE MINE
ROB ROY PROPERTIES
CLAYTON SILVER MINE
KINNIKINIC CREEK
ELLA MINE
SALMON RIVER
SULLIVAN CREEK
FRENCH CREEK
A
A'
B
B'
C
C'
D
D'

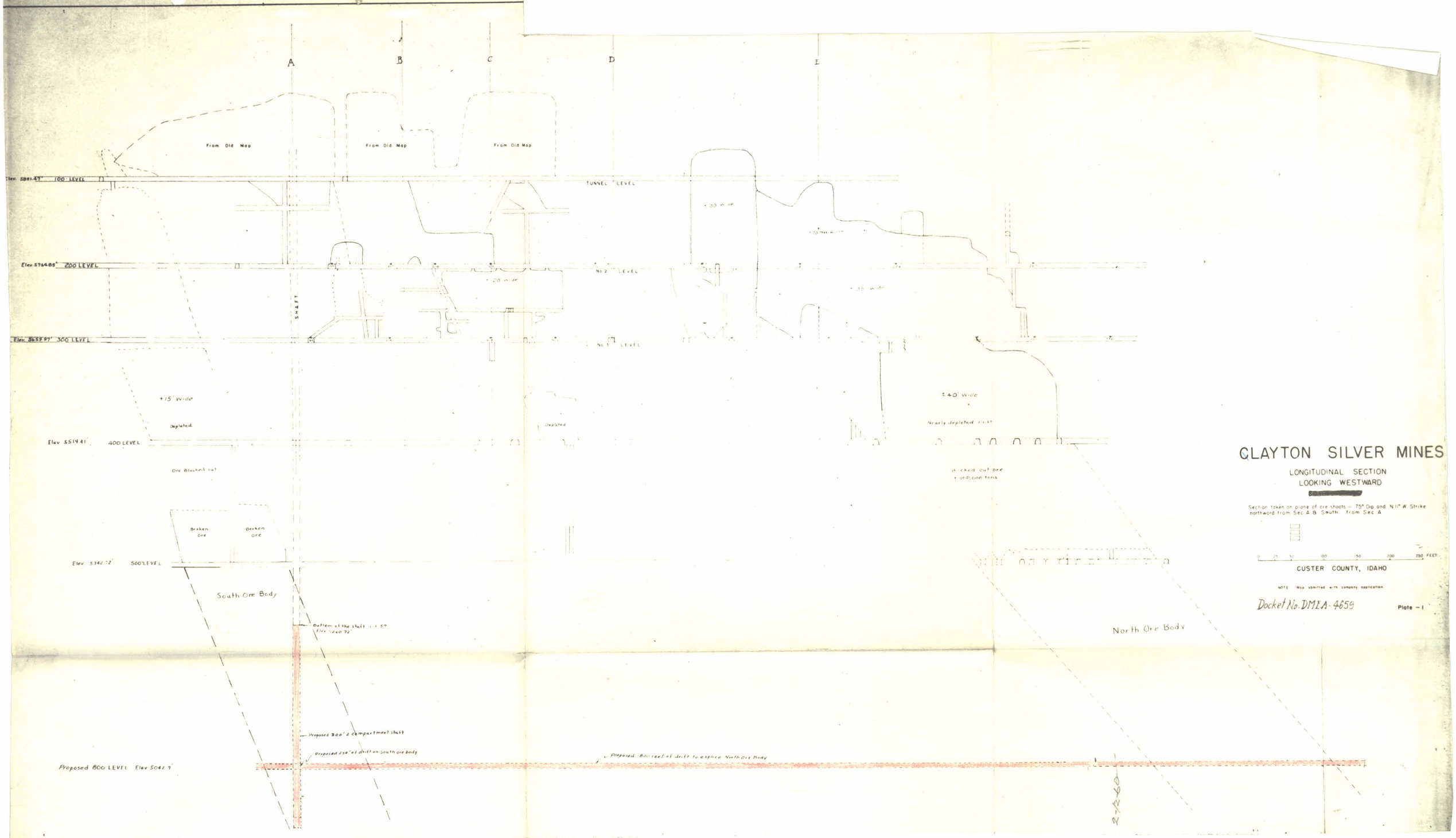
Plate 4

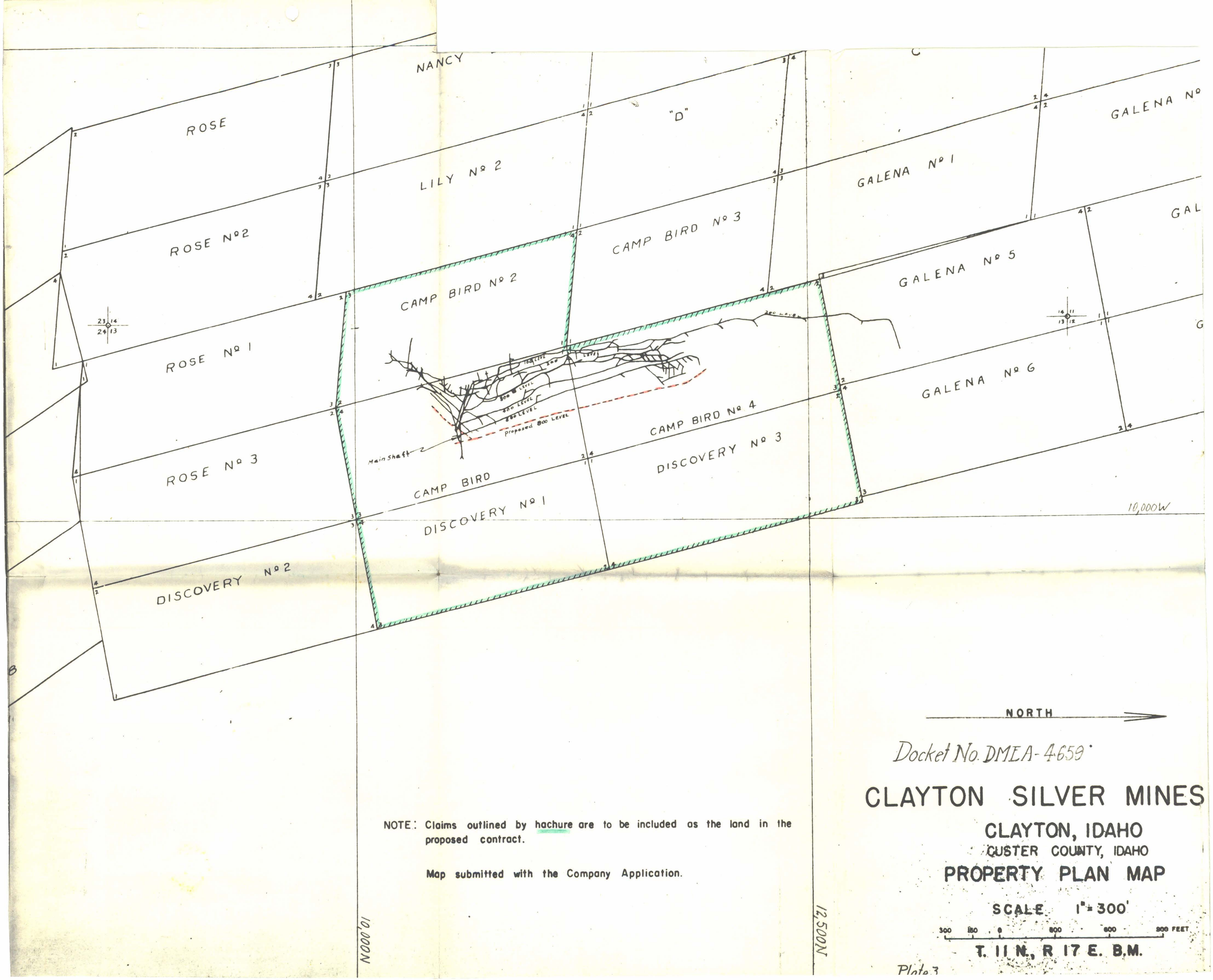
UNITED STATES
DEPARTMENT OF THE INTERIOR

PREPARED FOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
APPLICATION REPORT

DOCKET NO. D.M.E.A. 4659




A
B
C
D
E
From Old Map
From Old Map
From Old Map
Elev. 5881.47' 100 LEVEL
TUNNEL LEVEL
Elev. 5764.85' 200 LEVEL
No 2 LEVEL
SHAFT
Elev. 5659.97' 300 LEVEL
No 3 LEVEL
±15' Wide
Depleted
Depleted
Nearly depleted 1-1-57
±40' Wide
Elev 5519.41' 400 LEVEL
Ore Blocked out
Blocked out ore
± 100,000 tons
Broken ore
Broken ore
Elev. 5342.72' 500' LEVEL
South Ore Body
Bottom of the shaft 1-1-57
Elev 5240.72'
North Ore Body
Proposed 800' x compartment shaft
Proposed 250' of drift on South ore body
Proposed 800 LEVEL Elev 5042.7'
Proposed 800 feet of drift to explore North Ore Body
CLAYTON SILVER MINES
LONGITUDINAL SECTION
LOOKING WESTWARD
Section taken on plane of ore shoots — 75° Dip and N11° W Strike northward from Sec A B. South from Sec A
0 25 50 100 150 200 250 FEET
CUSTER COUNTY, IDAHO
NOTE Map submitted with company application.
Docket No. DMLA-4659
Plate - 1



NOTE: Claims outlined by hachure are to be included as the land in the proposed contract.

Map submitted with the Company Application.