DMEA Form 9
(Rev. 5/57)

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration

OFFICIAL DOCKET FILE Idm-E No.____ DMEA NO. 4753

Application (Denied
(Withdrawn
(After disposition, delete items not applicable)

Contract (Terminated - not Certified
(Cancelled
(Terminated - Certified
(Royalty Agreement

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

Folder No. 1:

Left Side

Royalty Audits 1/
Certification of Discovery
Cost Audits 2/
Termination Notice or Agreement
Recision Notice
Assignment of Contract
Contract Amendments
Contract with all exhibits and annexes
Owner's Consent to Lien
Subordination Agreement
✓ Application and attachments
✓ Envelope for maps

Right Side

Project summary
Work completed analysis
All other material filed in chronological order including the following reports if checked:

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

Additional Folders:

Left Side

Folder No.____:
Analysis of Semi-Annual Inspection Reports
Interim Summary Reports by DMEA Engineers

Right Side

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

Folder No.____: Maps (Use pocket folder or envelope.)

Folder No.____: Settlement Sheets

Folder No.____: Drill Logs

Folder No.____: Royalty material

1/ Or reports of royalty review
2/ Or cost reports of review

16592

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

OFFICE FILE COPY
DMEA
RECEIVED MAY 31, 1957

DATE	INITIALS	CODE

May 29, 1957

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

Re: New Application (Cinnabar)
Holly Corporation
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Selfridge:

Enclosed are the original and two copies of an application received from the Holly Corporation, 340 Third Street NW, P. O. Box 1509, Albuquerque, New Mexico. The application was delivered in person by Mr. James C. Brassfield, General Manager of the operation, whose address is 513 West Jefferson, Boise, Idaho.

Attached to the application is Exhibit A "Contract of Sale" and Exhibit B "An Agreement" together with four plates.

Sincerely yours,

D. R. MacLaren

D. R. MacLaren
for: Wing G. Agnew
Acting Executive Officer, DMEA
Field Team, Region I, NW District

Enclosures

cc: USBM (2)
Geologist

NOTE: This application is filed by Holly Corporation although record title to the property is formally vested in Holly Minerals Corporation. By action effective January 25, 1957 Holly Corporation acquired all of the assets of Holly Minerals Corporation, subject to obligations, and this by law vested ownership of the subject property in Holly Corporation. Proper legal steps are under way to effect the formal transfer of titles. All personnel of Holly Minerals Corporation remained in the employ of Holly Corporation in the newly created division, Holly Minerals.

MF-103
(Revised April 1952)

UNITED STATES DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

RECEIVED
MAY 29 1957
U. S. G. S.
SPOKANE, WASH.

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. 4753
Metal or Mineral MERCURY
Date Received 5-31-57
Estimated Cost $110,692.89
Participation (Government %)

RECEIVED
MAY 31, 1957
D.M.E.A.

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.

HOLLY CORPORATION
340 THIRD STREET N W
P. O. BOX 1509
ALBUQUERQUE, NEW MEXICO

(*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.

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 May 15, 1957

Holly Corporation
(Applicant)

By Charles Thursam
Vice President

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

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

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1. Name of applicant.--(a) State here your full legal name, in the form in which you wish to contract, and your mailing address:.....

Holly Corporation,
340 Third Street N W
P. O. Box 1509
Albuquerque, New Mexico

(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.....

A Delaware Corporation.

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

S. B. Harris, Jr.	President — See also page 9
Charles Chiusano	Vice President
Anton B. Fischer	Vice President & Treasurer

Holly Corporation
405 Lexington Avenue
New York 17, N. Y.

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

Not applicable.

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 31, 1957

DATE	INITIALS	CODE

OFFICIAL FILE COPY
D.M.E.A.
RECEIVED MAY 31, 1957
DATE | INITIALS | CODE

Answers to Questions 3 - 7b are described on the attached sheets.

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.....

Exploration will be done exclusively on the patented Hermes, Pretty Maid, and Monumental No. 1 mining claims located in the Yellow Pine Mining District, Valley County, Idaho, Survey No. 3396 U. S. Patent No. 1119154 dated November 1, 1944, and recorded in the office of the County Recorder of Valley County at Cascade, Idaho in Book 3 of Patents, page 190.

In addition to the above claims on which the exploration will be undertaken, the following patented and unpatented mining claims are included in the Hermes property:

Patented Mining Claims (See Exhibit A, page 2)
Unpatented Mining Claims (See Exhibit A, page 1)
(See Plate 1)

(b) State any mine name by which the property is known.....
Hermes Mercury Mine.

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

(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.....
Not applicable.

(e) If you own the land, describe any liens or encumbrances on it.....
The purchase contract provides for production payments until the total sum of $1,200,000.00 shall have been paid. See Exhibit B, paragraphs 3 & 6 of agreement dated 24th of October 1955.

(f) If the land consists of unpatented claims, add to the description above, the book and page numbers for each recorded location notice.....
See Exhibit A, page 1.

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.....

The patented and unpatented mining claims which make up this property were staked in the early 1920's. The first large scale mining was conducted by Bonanza Mines, Inc. from 1943-49. The mine was idle during most of 1948 and 1949 due to the low price of quicksilver. From 1949-1951 United Mercury Mines, Inc. completed mine development work and campsite repairs necessary to resume production. Production was continuous from 1951 to August 1955 when Holly Minerals took over operation of the property.

Mine workings on the property are extensive. Access is provided by two main haulage levels, the 7500 level and the 7600 level. The 7500 level consists of 1000 feet of haulage tunnel which leads to about 700 feet of tunnels in the working areas. The 7600 level has 1500 feet of haulage tunnel, from which several raises have been driven to the overlying ore. At present ore is being developed by two raises from the 7600 tunnel and by two raises from the 7500 level. (See Plate 2)

Mill facilities, which included two Gould rotary mercury kilns, were destroyed by fire on 19th August 1956. The Company has already begun replacing these facilities with a flotation and electrolytic precipitation process. These facilities should be ready to go into production before 15 August 1957.

The mine workings are easily accessible for examination, but the examiners should be equipped with waterproof "diggers" since the mine is wet.

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

Production from the Hermes Mines by Bonanza exceeded 6,000 flasks (76 pounds), United Mercury produced 3,370 flasks, and Holly had produced 866 flasks up to the time of the fire.

Current mineable reserves are estimated to be 137,130 tons of ore containing an average of 6 pounds of mercury per ton, the average grade of ore furnaced during the last 6 months of operation. These reserves have been delineated by mine development and Bureau of Mines drilling done in 1942.

(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.....

Geology

Mercury together with sulphur as the mineral cinnabar, Hg S, occurs as a replacement and fracture filling deposit in an highly altered impure dolomitic limestone. This host rock which crops out over the entire length of the property strikes N 60°-80° W and stands nearly vertical between quartzite beds. Thickness of the dolomitic limestone ranges from 450 feet at the east end of the property to 150 feet at the western end. Average thickness in the proposed exploration area is 340 feet. (See maps)

A fault and narrow dike striking N 40° E have offset the dolomitic limestone about 100 feet to the south. (See geologic map 11,000 N - 9,000 E) In addition to the main fault several smaller faults, probably tension fractures, have been observed in the mine.

Geology (cont'd)

The igneous dike which occurs along the fault zone appears to be pre-mineral and is probably related to the highly altered, kaolinized, igneous rock that is found beneath the ore body on the 7500 level. These intrusives may be related to a deep seated magma which provided the warm mineralized solutions that deposited the mercury minerals either by replacing the limestone or filling cavities along the fractures.

The ore occurs in veins which parallel the strike of the host rock. There are at least 4 parallel veins within 75 feet of the southwest quartzite wall, and 3 ore bands have been exploited within 100 feet of the northeast quartzite-dolomite contact. Individual ore bands have been mined to a width of 40 feet, and ore grade mercury concentrations extend from 200 to 400 feet and range from 100 to 300 feet in height. The ore lenses and parallel veins are connected by mineralized rock containing from 1-3 pounds of mercury per ton.

The mine workings, which extend for more than 2,000 feet along the strike of the dolomitic limestone, are located near the center of the outcrop and property. Cinnabar outcrops have been found along the limestone exposures for about 2,400 feet beyond the western extremity of the present underground mine workings. An open pit mining operation was developed by Holly from one of these outcrops on the West End claim. (See Plate 2)

Reason for Exploration

Exploration to confirm or disprove the presence of additional mercury reserves is necessary to the long range operational plans for the Hermes property.

The decision to explore the proposed area is based on the following factors:

1. The frequency of cinnabar outcrops for such a great distance beyond the present mine workings.

2. The apparently favorable structural environment which should exist west of fault and dike. Fracturing associated with the faulting and intrusion should have provided access and additional permeability for the mineralizing solutions as well as cavities for deposition.

3. The marked similarity of the overall geologic environment with that of the area already mined.

The undergound exploration program is proposed in preference to diamond drilling because of the high cost per foot of the drilling and the poor core recovery experienced in the past. Drilling by the U. S. Bureau of Mines and Holly have definitely established the difficulty of coring the shattered and altered host rock. Recovery in the ore zones appears to be even more difficult than in the unmineralized ground because fracturing and alteration are more intense in the mineralized zones. Considerations besides poor core recovery are the rugged and steeply sloping terrain which makes drill site preparation difficult and expensive, and the casing required to keep holes open in the unconsolidated overburden.

The spacing of the proposed crosscuts is such that they can be expected to encounter at least one end of an ore lense, but they are far enough apart that any ore discovered will require additional work for delineation.

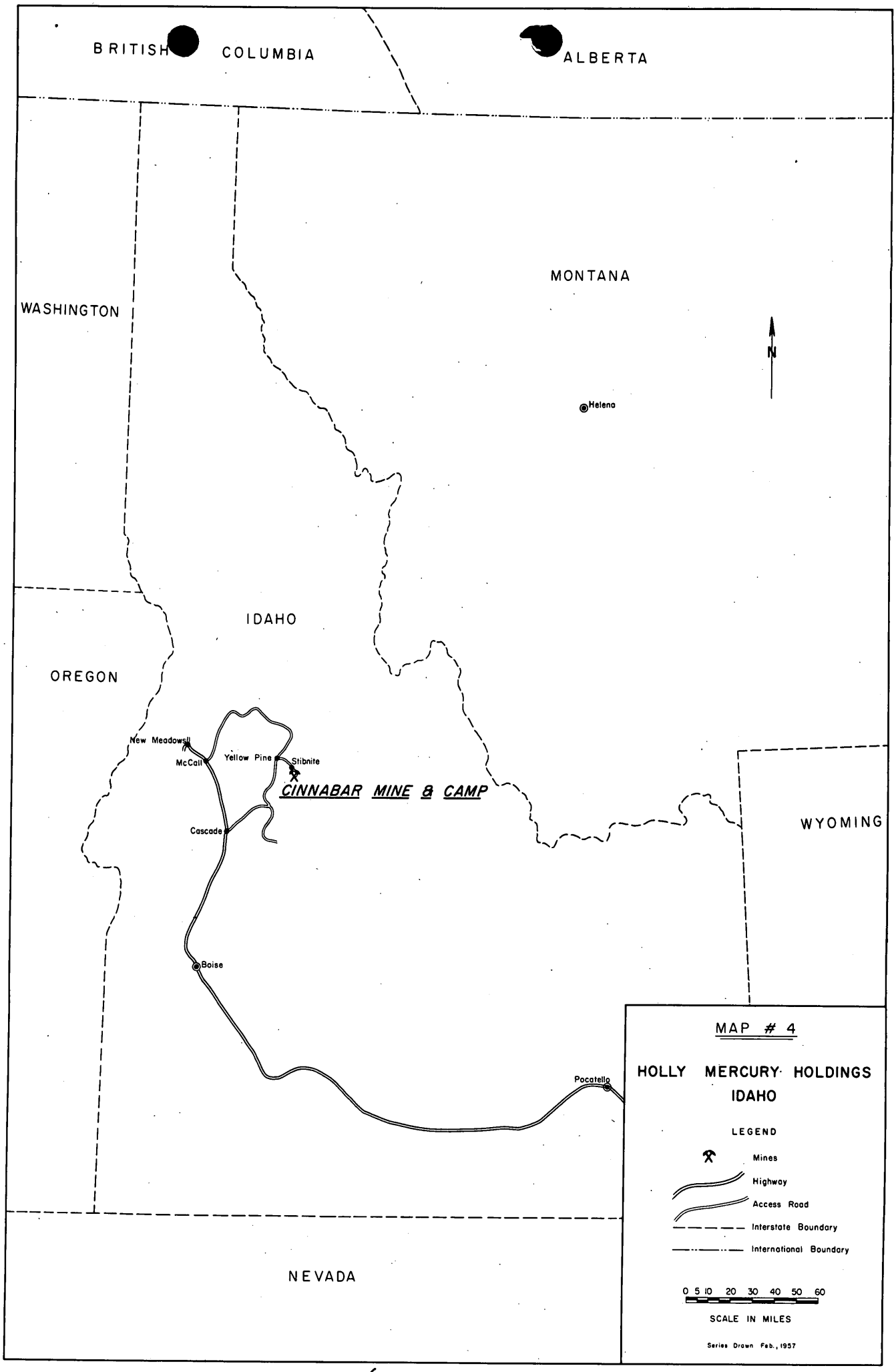
4. Physical description (cont'd)

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

The Hermes property is located 68 miles East of McCall, Idaho; and 17 miles East of Yellow Pine, Idaho. There is a good summer road into the property (dirt surface). The nearest railhead is McCall. Supplies are trucked 168 miles from wholesale houses in Boise, Idaho. The mine is in constant contact with Boise by short-wave radio. A hospital and registered nurse are available at the Bradley Mine 7 miles South. (See Map #4, page 6)

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

Availability of manpower at times is very good. There is usually a surplus of manpower in summer months. Men can be hired in Cascade, McCall, or Boise, Idaho. There is an adequate supply of good drinking water and an abundance of water for industrial purposes. Electrical power is supplied by the Idaho Power Company. The power line connects with the Cascade substation. This line is maintained by Idaho Power personnel.


BRITISH COLUMBIA
ALBERTA
WASHINGTON
MONTANA
N
Helena
IDAHO
OREGON
New Meadows
McCall
Yellow Pine
Stibnite
CINNABAR MINE & CAMP
Cascade
WYOMING
Boise
Pocatello
NEVADA
MAP # 4
HOLLY MERCURY HOLDINGS
IDAHO
LEGEND
Mines
Highway
Access Road
Interstate Boundary
International Boundary
0 5 10 20 30 40 50 60
SCALE IN MILES
Series Drawn Feb., 1957

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

Cinnabar and related mercury minerals.

(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.....

The following program of underground exploration to be carried on by the Minerals Division of the Holly Corporation is proposed for the Hermes Mercury Property. The purpose of the work is to explore the ore-bearing dolomitic limestone for a possible westward extension of the mercury ore from the presently known ore body. The project will involve driving a 1,455 feet access and haulage drift and 1,655 feet of exploration crosscuts, a total of 3,100 feet of tunnel.

The project will start from the 76WR-1 raise (See Plates 2, 3, & 4) on the 7800 level. From the raise station on the 7800 level a drift will be driven on a S 50° W heading until it has penetrated the southwest quartzite wall approximately 10 feet beyond the contact, an estimated distance of 110 feet. From this point the haulage tunnel will continue on a N 42° 30' W heading for 250 feet then turn to a N69° 30' W heading and continue for 285 feet to the point where the No. 1 exploration crosscut will be started.

The No. 1 crosscut will be driven on a heading of N 20° 30' until it has completely penetrated the ore bearing dolomitic limestone. The length of this crosscut is estimated to be 330 feet.

The haulage drift will be continued on the N 69° 30'W heading or on a heading that will parallel the quartzite limestone contact for 800 feet. Exploration crosscuts parallel to the No. 1 crosscut will be driven at 200 foot intervals. (See maps and diagrams) The estimated length required for each of the crosscuts to explore the complete thickness of the host rock are as follows:

No. 1 exploration crosscut	330 feet
No. 2 exploration crosscut	350 feet
No. 3 exploration crosscut	345 feet
No. 4 exploration crosscut	330 feet
No. 5 exploration crosscut	300 feet
Total length of exploration crosscuts	1,655 feet

These estimated lengths are based on the outcrop width of the limestone taken from the surface geologic map prepared by transit and plane table surveys. Because the thickness of the host rock may change at depth, it is clearly stated that the purpose of proposed program is to explore the complete thickness of the ore-bearing member.

The project will be under the direction of Mr. James C. Brassfield, General Manager of the Cinnabar operation. Mr. Art Emerson, mine foreman, will supervise the work. The exploration crew will be made up of 2 miners and a trammer until the first crosscut is started when 2 more miners will be added to drive the crosscut while the haulage tunnel is being continued.

Muck from the exploration work will be hand trammed from the working faces to the pocket and chute at the 76WR-1 raise. From this point it will be trammed out of the mine in trains pulled by an electric locomotive.

5 (b) Exploration project (cont'd)

The drifts will be broken wide enough to be timbered to $5\frac{1}{2}$ feet wide by $6\frac{1}{2}$ feet high in the clear. Timbering will be square sets completely lagged in the limestone and lagged where necessary in the quartzite.

Exploration work will be done on 1 shift 6 days per week. The schedule will probably be such that the men will work 12 days and be off for 2 days.

To facilitate the hand tramming on the working level the haulage drift will be driven with a 1% grade down to the muck pocket.

In estimating the costs of carrying on the exploration work it was found to be necessary to predict different rates of progress because of the type of ground in which the tunnels were being driven, and the distance from the 76WR-1 raise increased.

It is estimated that driving the haulage drift from the 76WR-1 station will proceed at the rate of 125 feet per month and take about 5.16 months to complete. When the 2 additional miners are added, the rate of progress will increase to 190 feet per month. Progress in the limestone is not expected to be as rapid as in the quartzite because the rock is highly fractured and altered to the point that some places are almost plastic. Progress at the rate of 190 feet per month is expected to continue for about 2.79 months or when the No. 2 crosscut is started. When the No. 2 crosscut is started the progress is expected to drop to 180 feet per month, this rate should be maintained for 4.97 months. Progress during the last 1,030 feet of tunneling is expected to be at the rate of 170 feet per month. During this last 6.06 months most of the work will be in driving crosscuts, and the distance from the 76WR-1 raise will tend to slow the operation's progress.

It is proposed that at least one channel sample of the sides and back be taken every five feet in the exploration crosscuts.

(c) The work will start within 14 days and be completed within 20 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.....

The Minerals Division of Holly Corporation has been carrying on mining operations at the Cinnabar property since August 1955. During that time the company has explored for and developed mercury reserves by diamond drilling and mining methods. The Company's personnel are completely familiar with the characteristics of the ground to be explored, and in the 18 months that Mr. Brassfield has been on the property, he has been conducting surface and underground geologic studies of the mercury deposit in his capacity as mining geologist and engineer, now General Manager of the operation.

Brassfield received his training in mining and geology at the University of Idaho and Idaho State College. He received a Bachelor of Science degree in geology from Idaho State. His experience before joining Holly includes $2\frac{1}{2}$ years with Seismograph Service Corporation, 8 months as a reconnaissance party chief for the U. S. Atomic Energy Commission.

5 Exploration project (cont'd)

(d) Cont'd.

Mr. Art Emerson, the mine foreman at Cinnabar, has been a mining man for about 30 years and mine foreman at various mines for the last 15 years, and for some 5 years at the Hermes mine. He has been a foreman at the Deadwood mine in Idaho and the Climax mine in Colorado. His reputation is that of one of the best heavy ground men in the northwest.

see also page 1

The Minerals Division of Holly Corporation is under the direction of A. H. McRae, President, and J. G. Heaston, General Manager. Paul E. Melancon, Chief Geologist, is responsible for exploration and development.

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.).....

None.

(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.....

See detailed estimate.

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

See detailed estimate.

(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.....

See detailed estimate.

(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.....

None.

(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.....

None.

6. Estimate of costs (cont'd)

(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.-------

Maintenance and analytical. See detailed estimate.

(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.....

See Summary of the estimate of costs.

ITEM 6 (b) LABOR, SUPERVISION, AND CONSULTANTS

No. Employees	Position	Wages Hourly	Wages Monthly	% of Time to be spent on Project	Cost/Month
1	Supervising Geologist & Engineer		$650.00	25.	$ 162.50
1	Mine Foreman		600.00	12.5	75.00
2	Miners	2.00	468.00	100.	936.00
1	Trammer	1.75	392.00	100.	392.00
1	Timber Framer	2.00	468.00	20.	93.60
1	Hoistman	2.00	468.00	12.5	58.50
1	Mechanic	2.50	560.00	12.5	70.00
1	Sampler		300.00	25.	75.00
1	Draftsman	1.75	392.00	12.5	49.00
1	Clerk		400.00	12.5	50.00
	Total				$ 1,961.60

		Cost/ft. @ 125'/Mo.	Total cost 645 feet
Time required to drive 645 feet	5.16 Mo.	15.692	10,121.34

No. Employees	Position	Hourly	Monthly	% of Time	Cost/Month
2	Miners to drive Cross-cuts	2.00	468.00	100.	936.00
	Total				$ 2,897.60

		Cost/ft. @ 190'/Mo.	Total cost 530 feet
Time required to drive 530 feet	2.79 Mo.	15.25	8,082.50

		Cost/ft. @ 180'/Mo.	Total cost 895 feet
Time required to drive 895 feet	4.97 Mo.	16.097	14,406.82

		Cost/ft. @ 170'/Mo.	Total cost 1,030 feet
Time required to drive 1,030 feet	6.06 Mo.	17,044	17,555.32

Total time required to drive 3,100 feet 18.98 Months

Total labor and supervision cost to drive 3,100 feet $50,165.98

Average cost per foot for labor and supervision $16.182

ITEM 6 (c) OPERATING MATERIALS AND SUPPLIES

Group Item Hand tools		Unit price	No. needed For project	Total cost	Cost/ft. 3,100 feet
Shovel, No. 2 rd. pt.		$ 4.95	24	$ 118.80	$ .038
Pick, miners		3.95	12	47.40	.015
Double jack 4#		4.50	4	18.00	.005
Pipe wrench 12"		2.84	24	68.16	.021
Pipe wrench 24"		7.40	12	54.76	.017
Cresent wrench 12"		2.60	24	62.40	.020
Ax, mine		6.50	4	26.00	.008
Saw, mine		5.88	10	58.80	.018
Total Hand Tools				$ 454.32	.142
Explosives					
Powder	*These figures are based on the Corporation's experience in driving development drifts on the property.				* .547
Fuse					* .116
Caps					* .017
Total Explosives				$ 2,108.00	.68
Timber					
Posts					* .200
Lagging					* .307
Total Timber				$ 1,571.70	* .507
Mine rail					
Rail 12#	cwt	12.35	6,500'	9,594.00	3.094
Fish plates	ea	.50	2,000	1,000.00	.322
Rail spikes	cwt	16.50	1,500#	247.50	.079
Rail bolts	cwt	26.05	2,000#	521.00	.168
Ties	ea	.25	1,500	375.00	.120
Switches, rt. hd.	ea	35.00	6	210.00	.067
Total rail				$ 11,947.50	3.850
Machine air					
Pipe 2" black iron	ft	.67	3,100	2,077.00	.670
T 2"	ea	1.71	50	85.50	.027
Union 2"	ea	2.40	30	72.00	.023
Gate valve 2"	ea	11.40	6	68.40	.022
Plugs 2"	ea	.32	50	16.00	.005
Air hose 1"	100'	92.54	500	462.70	.149
Miscellaneous fittings				50.00	.016
Total air				$ 2,831.60	.912

ITEM 6 (c) OPERATING MATERIALS AND SUPPLIES

Group Item	Unit price	No. needed For Project	Total cost	Cost/ft. 3,100 feet
Drilling water				
Pipe 1" black iron	100' 23.90	500	$ 119.50	.038
Plug valve 1"	ea 3.45	8	27.60	.008
Water hose ½"	100' 41.50	500	207.50	.066
Miscellaneous fittings			25.00	.008
Total water			379.60	.120
Electric power			1,041.60	* .336
Ventilation				
Galvanized pipe 8" 26 guage	ft 1.00	1,445	1,445.00	.466
Flexible vent tube 8"	50 ft 41.65	1,000	833.00	.268
Miscellaneous fittings			200.00	.064
Total Ventilation			2,478.00	.798
Drill Steel & Bits & Drill lube			480.50	* .158
Wire rope - slusher 3/8"	1,000 166.00	2,000'	232.00	
Total Item 6 (c)			23,524.82	7.577

ITEM 6 (d) OPERATING EQUIPMENT (RENTAL)

Unit Rentals	Monthly Rental per Unit	Total Monthly Cost	Total Cost 18.98 mo.		Cost/ft. 3,100 ft.
Mine hoist	26.00	26.00	493.48		.159
Mine car	5.00				
2 for 5.16 mo.		10.00		51.60	
4 for 13.82 mo.		70.00		276.40	
Total cost mine cars			328.00		.105
Mancha Motor	100.00	100.00	1,898.00		.612
D-8 Bulldozer	50.00	50.00	94.90		.030
Air compressor	200.00	200.00	3,796.00		1.224
Slusher & Scraper	100.00		1,898.00		.612
Bunk House Rooms	26.00				
3 rooms 5.16 mo.		78.00		402.48	
5 rooms 13.82 mo.		130.00		1,796.60	
Total Bunk House			2,199.08		.709
5 Miner's lights	5.00	25.00	474.50		.153
Jack drill & leg	75.00				
1 for 5.16 mo.		75.00		387.00	
2 for 13.82 mo.		150.00		2,073.00	
Total Drills			2,460.00		.793
Total Rental Operating Equipment			13,641.96		4.397

The above equipment will be supplied by the Holly Corporation at the monthly rental rates listed.

ITEM 6 (d) OPERATING EQUIPMENT (TO BE PURCHASED)

Item To be Purchased	Unit Price	No. Needed	Total Cost
Coppus air operated Blowers for ventilation	680.00	2	1,360.00
Slusher Blocks	55.00	3	165.00
Slusher pins	6.00	6	36.00
Slusher Gin Poles	12.00	2	24.00
Total Equipment to be purchased			1,585.00

ITEM 6 (g) MISCELLANEOUS

Expense	Unit Cost	Monthly Rate	No. Needed	Total Cost	Cost/ft. @ 3,100'
Equipment repairs 2 Jack drills & legs		35.00		664.30	.214
1 Slusher		25.00		474.50	.153
Pro-rata portion of compressor repairs		25.00		474.50	.153
Total repair expense				1,613.30	.520
Assays to be made in Holly's laboratory on the property	ea 2.00		500	1,000.00	.322
Accounting expense		100.00		1,898.00	.612

In computing the following insurance and payroll tax costs an average monthly payroll of $2,643.00 was used.

Workmen's Compensation	8.73%	230.74		4,379.44	1.412
Unemployment Insurance	3.00%	79.29		1,504.92	.484
Employer's liability	0.50%	13.21		250.73	.080
Payroll taxes	2.25%	59.47		1,128.74	.364
Total insurance and payroll taxes				7,263.83	2.34
Total Miscellaneous Expense				11,775.13	3,794

SUMMARY OF THE ESTIMATE OF COSTS

Item No. Description	Monthly Cost	Total Cost 18.98 Mo.	Cost/Ft. 3,100 Ft.
6 (b)			
Labor and Supervision	$ 2,643.10	$ 50,165.98	$16.182
6 (c)			
Operating Materials and Supplies			
Hand tools	23.94	454.32	.142
Explosives	111.06	2,108.00	.680
Timber	82.81	1,571.70	.507
Rail	629.48	11,947.50	3.850
Drilling and slushing air	149.19	2,831.60	.912
Water	20.00	379.60	.120
Electric power	54.88	1,041.60	.336
Ventilation	130.56	2,478.00	.798
Drill steel, bits and lube	25.32	480.50	.158
Slusher wire rope	12.22	232.00	.074
Total 6 (c)	$ 1,239.46	$ 23,524.82	$ 7.577
6 (d)			
Equipment rental	718.75	13,641.96	4.397
Equipment purchases		1,585.00	.511
Total 6 (d)		$ 15,226.96	$ 4.908
6 (g)			
Equipment repairs	85.00	1,613.30	.520
Assays	52.69	1,000.00	.322
Accounting	100.00	1,898.00	.612
Insurance and payroll taxes	382.71	7,263.83	2.340
Total 6 (g)	$ 620.40	$ 11,775.13	$ 3.794
6 (h)			
Contingencies	526.87	10,000.00	3.225
	$ 5,029.83		
Total Cost of the Proposed Project		$110,692.89	$35.686

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)?.....

Yes.

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

Money.

Explain in detail on accompanying paper.

It is proposed that the Defense Minerals Exploration Administration pay the Minerals Division of Holly Corporation 75 per cent of the cost of the above exploration program on the basis of $31.10 per foot of drift. Holly Corporation is prepared to provide its share of the money necessary to purchase the equipment listed under Item 6 (d), Equipment to be purchased. Holly Corporation will pay the current expenses of the project and invoice the DMEA on the 20th of each month for the work done the preceding month. The $31.10 per foot of drift includes all costs listed in items 6 (b), 6 (c), rentals listed under 6 (d), and accounting, insurance and payroll costs listed under Item 6 (g). It is proposed that instead of charging the estimated monthly rate for repairs, the individual repairs be invoiced in the month in which they are made. It is estimated that some 500 samples will be taken in the course of the operation. A separate sample ledger will be kept for the exploration project, and the project will be invoiced monthly for the exact number of samples assayed at the rate of $2.00 per assay.

A report, map, and assay results will be submitted along with the invoice to show the progress made during the previous month.

Exhibit A

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DATE	INITIALS	COPY

CONTRACT OF SALE

THIS AGREEMENT, made and entered into this 4th day of August, 1955, by and between UNITED MERCURY MINES COMPANY, an Idaho corporation, party of the first part, hereinafter called "Seller," and HOLLY URANIUM CORPORATION, a Delaware corporation, party of the second part, hereinafter called "Buyer;"

W I T N E S S E T H :

WHEREAS, the Seller is the owner of certain patented and unpatented mining claims located in Yellow Pine Mining District of Valley County, State of Idaho, more particularly described on Exhibit "A" attached hereto, together with all dips, spurs and angles of all lodes located thereon; together with all tenements, hereditaments and appurtenances and rights and privileges, reduction works, retorts, and equipment belonging or in any wise appertaining thereto; together with all milling sites, water rights, tail rights, tailing sites and tailing dams or easements, and all personal property now situate on the mining claims or used or enjoyed in connection therewith, subject only to royalties reserved and retained by Bonanza Mines, Inc. under and by virtue of conveyance and royalty agreement dated May 5, 1949; and

WHEREAS, Seller desires to sell said properties above described to Buyer and Buyer desires to purchase the same upon the terms and conditions hereinafter set forth;

Aug. 4, 1955

(Contract of Sale)

Unpatented mining claims in Yellow Pine Mining District, Valley County, State of Idaho, to-wit:

Name of Claim	Original Book	Original Page	Amended Book	Amended Page	2nd Amended Book	2nd Amended Page
Mountain Belle	3	325	3	480	6	157
Mountain Belle No. 1	3	470	6	158		
Smith Extension No. 1	3	567	6	81	6	144
Smith Extension No. 2	3	568	6	82	6	145
Smith Extension No. 3	3	573	6	83	6	146
Smith Extension No. 4	3	569	6	84	6	147
Mountain Ridge No. 2	5	28	6	78	6	135
Mountain Ridge No. 3	5	29	6	79	6	136
Vermillion Ext. No. 4	5	72	6	93	6	171
Pat No. 10	4	541	6	160		
Pat No. 11	4	543	6	161		
Pat No. 15	4	551	6	162		
Pat No. 17	4	555	6	164		
Pat No. 16	4	553	6	163		
C 11	10	470				
C 13						
C 14						
C 15						
C 16						
C 17						
C 18						
C 19						
C 20						
C 21						
C 22						
Golden Gate No. 1	3	476	6	73	6	179
Golden Gate No. 2	3	475	6	180		
Golden Gate No. 3	4	593	6	181		
West Side No. 1	3	508	6	94	6	165
West Side No. 2	3	507	6	95	6	166
Gold King No. 1	3	323	6	96	6	192
Gold King No. 2	3	327	6	97	6	193
Gold King No. 3	4	6	6	100	6	194
El Rey	3	433	6	104	6	129
First National	10	472				
First National No. 1	3	402	6	74	6	133
Monumental No. 8 Fraction	11	276				
Monumental No. 9	11	277				
Monumental No. 10	11	278				
Monumental No. 11	11	279				
Monumental No. 12	11	280				
Monumental No. 13	11	281				
Monumental No. 14	11	282				
Monumental No. 15	11	283				
Mountain View No. 1						
Mountain View No. 2						
Pendent Nos. 1 to 10, inclusive						

Patented mining claims situate in Yellow Pine Mining District, Valley County, State of Idaho, to-wit:

The Hermes Group, consisting of the following:

Name of Claim	Book	Page
Hermes	4	194
Pretty Maid	4	195
Annie Bell	4	188
Golden Gate No. 4	4	191

The Monumental Group, consisting of the following:

Monumental No. 1
Monumental No. 2
Monumental No. 3
Monumental No. 4
Monumental No. 5
Monumental No. 6
C-12

designated as Survey No. 3396, United States Patent No. 1119154, dated November 1, 1944, and recorded in the office of the County Recorder of Valley County, Idaho, in Book 5 of Patents at page 190 thereof, on the 22nd day of November, 1944.

The Liberty Group, consisting of the following lode mining claims:

West End
Liberty
Liberty No. 1
U. S. A.
Vermillion Extension No. 2
White Metal No. 6
Mountain Belle Fraction
Vermillion Extension No. 3
White Metal

designated as Mineral Survey No. 3395, United States Patent No. 1121087, dated July 15, 1946, and recorded in the office of the County Recorder of Valley County, Idaho, in Book 8 of Miscellaneous Records at page 108 thereof, on the 30th day of July, 1946.

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NOW, THEREFORE, it is hereby agreed between the parties as follows:

1. Seller agrees to sell and Buyer agrees to purchase the above described properties for the total purchase price of One Million Three Hundred and Fifty Thousand Dollars ($1,350,000.00), exclusive of supplies, and to pay the same as follows:

(a) $75,000.00 upon the execution of this agreement, receipt of which is acknowledged by Seller;

(b) $75,000.00 on or before November 1, 1955;

(c) $200,000.00 on or before February 1, 1956, which payment is conditioned upon furnishing proper evidence of title as hereinafter provided;

(d) The balance of the purchase price, to-wit: $1,000,000.00, to be paid at the minimum rate of $3,000.00 per month commencing February 1, 1956, and continuing each and every month thereafter until the purchase price has been paid in full; provided, however, such minimum payment shall not apply if the Buyer, by reason of strikes, lock-outs, acts of God, or other conditions beyond the control of the Buyer, is unable to conduct mining and milling operations on the above described properties; provided further that economic considerations shall not relieve the Buyer from the payment of $3,000.00 minimum monthly payments unless the board of arbitration hereinafter provided for determines that operations are not feasible economically, taking into consideration the percentage royalties payable as hereinafter provided;

(e) Buyer shall pay unto Seller a production payment computed on the gross receipts received by the Buyer upon the sale of all ores, concentrates, minerals, metals, or any other product removed or extracted and sold from the above described properties, as follows:

(1) An amount equal to 5% of such gross for the months of August, September, October, November and December, 1955, and January 1, 1956; and

(2) An amount equal to 12-1/2% of the gross for the month of February, 1956, and each and every month there-

after during the life of this contract.

The production payments as provided for in this Paragraph (e) shall be credited to the minimum monthly payments as required hereunder, commencing February 1, 1956, as required in the foregoing Paragraph (d); provided, however, that while the Buyer is operating said properties diligently and to its capacity under the conditions existing, the sole monthly payments required hereunder shall, notwithstanding the provisions of the foregoing Paragraph (d), be the production payments as set forth herein; it being the intention of the parties, in establishing the minimum payment, to provide for the contingency of the refusal of the Buyer to operate said property to its capacity under existing conditions.

The production payments as required hereunder shall be made on the 15th day of each and every month, commencing September 15, 1955, based on the gross receipts of Buyer for the preceding month.

(f) All payments made hereunder, including the minimum monthly payments and production payments, shall be credited to the purchase price and in reduction thereof. The deferred payments due Seller hereunder shall not bear interest.

2. "Gross receipts," as used herein for the purpose of determining the production payments provided for in the foregoing Paragraph 1(e), shall be defined to mean the total sum received by the Buyer on any sale or exchange, less (a) freight charges incurred by Buyer in connection with the transportation of the product from Cinnabar, Idaho, to its point of destination; and (b) costs of marketing directly charged to the Buyer in connection with the sale of the products.

3. Seller shall pay all taxes and assessments charged and assessed against the above described properties for the year 1954 and prior thereto, and shall pay 7/18ths of all such taxes and assessments for the year 1955. The Buyer shall pay 5/18ths of such taxes and

assessments for the year 1955 and thereafter during the life of this contract. It is understood that the 1955 taxes and assessments have not been determined as of this date, but upon such determination the same shall be pro rated between the parties, each paying its proportionate share thereof before January 1, 1956.

4. Buyer agrees to keep the buildings and improvements situate upon the above described properties insured against loss by fire in companies acceptable to Seller in the minimum sum of $30,000.00, with a loss-payable clause thereon to the parties hereto as their interests appear. Buyer shall maintain such insurance at its own cost and shall not permit the same to lapse.

5. Seller agrees to furnish unto Buyer satisfactory evidence of title to the above described lands by abstract or policy of title insurance, at its option, showing good and merchantable title in the Seller free and clear of all liens and encumbrances save and except taxes for the year 1955, the paramount rights of the United States of America to the unpatented lands, and to the rights of Bonanza Mines, Inc. under its agreement of May 5, 1949. Such evidence of title shall be furnished prior to January 3, 1956, and in the event such is not furnished, all further deferred payments, including production payments, due Seller hereunder may be withheld by the Buyer until such evidence of title has been satisfactorily furnished.

Buyer shall have opportunity to examine the evidence of title and to point out in writing any defects that may appear therein, which defects shall be corrected by the

Seller at its own expense as soon thereafter as the same may be accomplished.

6. It is agreed that in connection with the obligation to Bonanza Mines, Inc., under its conveyance and royalty agreement of February 5, 1949, such obligation shall be paid and retired either before or concurrently with the payment of the $200,000.00 due hereunder on February 1, 1956.

7. That concurrently herewith, the Seller will make and execute its warranty deed for conveyance of the above described patented lands and its quitclaim deed to all unpatented lands, together with a bill of sale for conveyance of the personal property hereinbefore referred to, which warranty deed, quitclaim deed, bill of sale, evidence of title, fire insurance policy or policies, and the original of this contract shall be deposited in escrow at the First Security Bank of Idaho, Boise branch, Boise, Idaho, and all deferred payments due Seller hereunder, including production payments, shall be paid to the escrow holder. The escrow holder is authorized and instructed that when the deferred balance due Seller hereunder has been reduced to the sum of $1,000,000.00, it shall deliver to Buyer the bill of sale deposited with it, and that upon payment of the balance of $1,000.00.00 due hereunder, it shall deliver unto Buyer the warranty deed, quitclaim deed, evidence of title and fire insurance policies.

8. Title to the above described real and personal property shall at all times remain vested in the Seller until delivery of the bill of sale, or deeds, as the case may be, conveying such title. The Buyer agrees to make

and execute a quitclaim deed to the above described mining claims to Seller, which quitclaim deed shall also be deposited in escrow and re-delivered to the Seller only in event of forfeiture as hereinafter provided. If the contract is paid out according to its terms, the quitclaim deed from Buyer to Seller shall be destroyed.

9. The Buyer agrees that it will maintain the properties covered by this agreement in as good a state of repair as the same now is and will conduct its mining operations in a good and minerlike manner. Buyer shall comply with the laws of the State of Idaho relative to safety provisions and shall at all times carry workman's compensation and liability insurance on the premises. Buyer covenants that it will hold Seller free and harmless from any and all claims from third parties arising out of any act or conduct on the part of the Buyer or its agents. Seller shall have the right to go upon the premises at reasonable times to assure itself that the property is being properly maintained, and shall have the right to inspect and make copies of the records and accounts of the Buyer for the purpose of determining the production payments due it under this agreement.

10. Seller covenants that it is now in quiet and peaceful possession of the above described land and that it will hold Buyer free and harmless from any and all claims of any third persons in and to the above described properties or to the proceeds from any products therefrom.

11. If the parties hereto are unable to mutually agree between themselves as to the economic feasibility of continued mining operations on the above described

mining claims, then the same shall be arbitrated by a committee of three, one to be appointed by each of the parties and the third by the two appointees. This committee on arbitration shall determine the economic feasibility of mining and reduction operations and their determination shall be binding upon the parties for the purpose of determining the required minimum payments as set forth in Paragraph 1 hereof. This provision for arbitration shall only be applicable in event the Buyers cease to operate the properties, and the same may then be invoked after ten (10) days' notice by the Seller to the Buyer. The Buyer shall be required, within said ten-day period, to appoint an arbitrator to meet with an arbitrator selected by the Seller, who shall be designated in the notice. The two so selected shall then select a third party to constitute the arbitration committee and shall render a decision within ten (10) days after the committee is formed. The decision of the arbitration committee shall be binding upon each of the parties for ninety (90) days, at which time application can be made by either party for a further determination by an arbitration committee to re-determine the feasibility of operations.

12. It is agreed between the parties that there are certain items of supplies at the properties at Cinnabar, Idaho, which supplies shall be inventoried on August 16, 1955, and the Buyer shall pay for such supplies based on Seller's costs thereof, including transportation charges. In addition to the payment for the supplies on hand as of August 16, 1955, the parties hereto shall determine the

amount of supplies used in the operation of the mine and reduction works from July 31, 1955 up to the time of the inventory, and Buyer shall pay for such supplies at Seller's actual cost, including transportation charges.

It is understood and agreed that the supplies inventory hereinabove referred to shall not exceed the sum of $20,000.00, including adjustments required for materials consumed prior to date of inventory. In the event that said inventory exceeds the sum of $20,000.00, Buyer may, at its o tion, return to Seller sufficient of said supplies so that the sum due shall be no greater than $20,000.00.

13. The Buyer shall be entitled to immediate possession of the properties covered by this agreement and to ores and materials on hand, together with the proceeds therefrom, from and after July 31, 1955. Likewise, Buyer shall be liable for and pay all payrolls and expenses of operation in connection with the mining and milling conducted on the properties at Cinnabar, Idaho, exclusive of management or overhead costs, from and after August 1, 1955.

14. An itemization of the personal property covered by the terms of this agreement shall be compiled on August 16, 1955, which shall include all personal property located at and used in connection with the operation of the mine and reduction works at Cinnabar, Idaho, including but not limited to a 1952 Ford truck, one (1) D-8 Caterpillar, and one (1) compressor to be delivered to the property by the Seller. It is specifically understood that a Willys Jeep which has been used in and about the

mine by the agents of the Seller is not included in this sale.

15. The Buyer agrees that it will perform the necessary assessment work to protect the filings on all unpatented mining claims covered by the terms of this agreement and file notice of work done prior to July 1st of each year hereafter.

16. Time is agreed to be the essence of this agreement, and should Buyer fail to make payment of the $75,000.00 due November 1, 1955, the payment of $200,000.00 due February 1, 1956 (unless relieved therefrom by Seller's failure to furnish evidence of title), the Seller may, at its option and without notice, terminate this agreement, and all payments made by the Buyer hereunder shall be deemed liquidated damages for breach of contract and Seller would be entitled to immediate possession of the properties covered by this agreement, and Buyer agrees to deliver up possession thereof. In the event the Buyer fails to make the production payments or minimum payments when required hereunder when due, or fail to comply with any other terms and conditions of this agreement, then Seller may cause to be prepared in triplicate a notice in writing, setting forth the matters in which Buyer is claimed to be in default. Said notices and copies thereof shall be delivered to the escrow holder, and the escrow holder is authorized and instructed to mail one of said notices to the Buyer at Box 86, Grants, New Mexico, and one notice to the Buyer at 122 East 42nd Street, New York 17, N. Y. The Buyer shall have sixty (60) days from and after the mailing of such notices within which to

correct the matters claimed to be in default, and if not so corrected within the sixty-day period, the Seller may thereupon terminate this agreement and be entitled to immediate possession of the properties covered by this agreement, title to which is still held by the escrow holder, and all payments theretofore made by the Buyer shall be forfeited as liquidated damages for breach of contract. Forfeiture shall be the Seller's exclusive remedy hereunder except as to accrued minimum or production payments due as of the date of forfeiture; it being specifically understood and agreed that the Buyer shall not be subjected to a suit for specific performance of the purchase price or for damages for failure to pay the same, the Buyer being limited to the liquidated damages hereinabove provided for in the event of non-payment of the purchase price by Buyer.

17. Seller agrees to purchase and affix the necessary revenue stamps to the deeds deposited in escrow upon the final payment due hereunder. All escrow fees shall be paid by Seller.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year first above written.

UNITED MERCURY MINES COMPANY

By [signature]
President

ATTEST:
[signature]
Secretary

HOLLY URANIUM CORPORATION

By [signature]
Vice President

ATTEST:
[signature]
Assistant Secretary

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DATE	INITIALS	CODE

Exhibit B

Cinnabar - Agmt. (1)

A G R E E M E N T

THIS AGREEMENT made and entered into this 24th day of October, 1955, by and between UNITED MERCURY MINES COMPANY, an Idaho corporation, party of the first part, hereinafter called "Seller", and HOLLY URANIUM CORPORATION, a Delaware corporation, party of the second part, hereinafter called "Buyer";

W I T N E S S E T H :

WHEREAS, the parties hereto entered into a certain contract of sale dated August 4, 1955, covering the purchase and sale of certain patented and unpatented mining claims located in Yellow Pine Mining District of Valley County, State of Idaho, together with personal property, improvements, mining equipment and supplies known and described as the Hermes Mine, Cinnabar, Idaho, and

WHEREAS, the parties desire to amend said contract in certain respects,

NOW, THEREFORE, It is agreed between the parties as follows:

1. That provision of paragraph 1(b) of said contract of sale providing for the payment by Buyer to Seller of Seventy-five Thousand Dollars ($75,000.00) on or before November 1, 1955, is hereby amended to provide in lieu thereof for the payment of Forty Thousand Dollars ($40,000.00) on or before November 1, 1955, and Thirty-five Thousand Dollars ($35,000.00) in monthly instalments of Five Thousand Dollars ($5,000.00) each commencing on the 1st day of March, 1956, and continuing on the first day of each month thereafter in a like sum until said $35,000.00 has been paid.

2. That the provisions of paragraph 1(c) requiring the payment of Two Hundred Thousand Dollars ($200,000.00) on or before February 1, 1956, shall be deleted.

3. That the provisions of paragraph 1(d) shall be amended so that the balance of the purchase price due thereunder shall be One Million Two Hundred Thousand Dollars ($1,200,000.00) in lieu of One Million Dollars ($1,000,000.00).

4. That the provisions of paragraph 7(e) (1) and (2) are amended so that the production payments due for the months of August, September and October of 1955 shall be at the rate of five (5) percent and that thereafter commencing with the production of the month of November 1955 said payments shall be at the rate of twelve and one-half (12½) percent.

5. That upon payment of the sum of Forty Thousand Dollars ($40,000.00) on or before November 1, 1955, as required by this amended contract, the escrow heretofore established shall be terminated and there shall be delivered over to Buyer the warranty deed, the quitclaim deed and the bill of sale vesting in Buyer complete ownership of all of the mining claims and personal property subject to the contract of sale and further, upon such payment, Seller shall cause to be delivered to Buyer evidences of title covering said patented and unpatented mining claims forthwith and Buyer agrees to cause the same to be examined as soon as reasonably can be done and to submit objections to title, if any, in writing to Seller, which agrees to cure all of said deficiencies in title as soon as reasonably can be done.

It is specifically understood that upon such payment, Buyer shall be vested with title to said properties unencumbered by any claim or lien on behalf of Seller, except that in the event Buyer fails or refuses to pay any production

Bonanza Mines
Inc.

payments as provided in said contract when the same become due, Seller shall have a mortgage lien in and to and upon all of the subject properties to secure the payment of said sums and Buyer does hereby mortgage the foregoing described properties to secure the payment of said royalties. It is further understood and agreed by the parties that the title vesting in Buyer shall be subject to the provisions of that certain "Conveyance and Royalty Agreement" dated May 5,1949, between Bonanza Mines, Inc. and United Mercury Mines Company.

6. That Buyers shall prorate the production payments of twelve and one-half (12½) percent by paying directly to Bonanza Mines, Inc. seven and one-half (7½) percent and by paying to Seller five (5) percent, it being understood and agreed that when the total amount owing to Bonanza by United shall have been paid in full all of said production payments shall thereafter be made directly to United.

7. That the parties hereto have heretofore made a complete settlement in connection with the provisions of paragraph 12 of said contract of sale and that in connection therewith Buyer has agreed to assume and discharge two certain liens approximating Five Thousand Five Hundred Dollars ($5,500.00) covering one truck and one D-8 tractor; that upon payment of said liens all matters in connection with inventory supplies and equipment shall be deemed settled.

8. That Buyer will cause to be recorded annually prior to the end of March of each year commencing with March 1956 proofs of annual assessment work as required by the laws of the United States and the State of Idaho. In the event of the failure of Buyer to perform such labor and file proofs thereof, upon notice in writing from Seller, Buyer shall quitclaim to Seller all of its interest in the mining claims

covered by said contract of sale if said labor shall not be performed and the proofs thereof filed within fifteen (15) days after such written notice. It is agreed that the covenant to perform such work shall constitute a covenant running with the claims and shall be binding upon Buyer, its successors and assigns. It is specifically understood and agreed that upon full payment of the total purchase price the covenants in regard to labor and filing of proofs thereof shall be deemed terminated.

9. That all provisions of the contract of sale dated August 4, 1955, in conflict with the provisions of this agreement shall be deemed amended or deleted, as the case may be, in conformance to the provisions of this agreement; that all other terms and conditions of said contract of sale, excepted as limited hereby, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year first above written.

UNITED MERCURY MINES COMPANY

By _____
President

ATTEST:

_____
Secretary

HOLLY URANIUM CORPORATION

By _____
President

ATTEST:

_____
Assist Secretary

OK 1316

OFFICIAL BUSINESS

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

Defense Minerals Exploration Adm.

U. S. Department of the Interior

Interior Building

Washington 25, D. C.

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
3/19	Holt	400
3/19	Martin	400
		120
3/20	Selfridge	110
3/23	C	225
		400

MAR 23 1959

Mr. A. N. McRae
See-Tee Mining Company
Box 1509
Albuquerque, New Mexico

Re: Docket No. DMEA 4753 - Mercury
Holly Corporation
Formerly Mercury Mine
Valley County, Idaho

Dear Mr. McRae:

Thank you for advising us by letter of March 9, that you have forwarded our letter to the Holly Corporation dated March 6, 1959, to the new address:

Holly Corporation
Formerly Mercury Mine
826½ Idaho Street
Boise, Idaho

Our records have been changed accordingly.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

WSMARTIN:foc
3-19-59
cc to: Code 400
Director's Read. File
FT. REG. I
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

43683

MESSAGE

REPLY BELOW

-19 C 220 400

To Capt. Robertson
Office of Veterans Exp. Services
Washington 25, D.C.

SUBJECT: Docket No. DMSA 4753 Hearing DATE: 3-19-59

FOLD HERE

MESSAGE: Veterans Female & Children

This matter should be addressed to
Holly Corp. Hearing Section
826 1/2 South St. Boise, Idaho.

I have sent your letter of March 1 that address. Holly Corp. Office in Washington, D.C. may

SIGNED

REPLY: DATE: Feb 1959, Calif.

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 19 1959

DATE		
3-19	C	220
3--19	W & M	400

SIGNED

FORM L1-2374½ WORLD WIDE PRESS, CHICAGO

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
3/5	Holt	400
3/5	Martin	400
3/5	Selfridge	120
		110
3/6	C	225
		400

Molly Corporation
340 Third Street, N. W.
P. O. Box 1509
Albuquerque, New Mexico

MAR 6 1959

Re: Docket No. DMEA 4753 - Mercury
Molly Corporation
Hermes Mercury Mine
Valley County, Idaho

Gentlemen:

Reference is made to our letter of January 29, 1959, regarding action required to make your DMEA application eligible for consideration under the GML regulations.

We wish to cooperate with you in allowing ample time to complete such action, but, if we do not hear from you within 30 days from the date of this letter, we will assume that you are no longer interested in proceeding with your application, and we will consider it as having been withdrawn.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

WSMARTIN:foc
3-5-59
cc to: Code 400
Director's Read. File
FT. REG. I (2)
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
3/3	Holt	400
3/3	Martin	400
		120
		110
		220
		400

Holly Corporation
340 Third Street, N. W.
P. O. Box 1509
Albuquerque, New Mexico

Re: Docket No. DMEA 4753 - Mercury
Hermes Mercury Mine
Valley County, Idaho

Gentlemen:

Our letter of January 29, 1959, inquired whether, or not, you wished to have your above-referenced DMEA application considered under the OME regulations. To date we have had no reply on the subject. ?

We wish to co-operate with you in allowing ample time to submit the requested information. However, if the needed data have not been received by April 10, 1959, we will assume you are no longer interested and will consider your application as being withdrawn.

Sincerely yours,

Acting Director

WSMARTIN:foc
3-3-59
cc to: Code 400
Director's Read. File
FT. REG. I (2)
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF INDIAN AFFAIRS
Washington 25, D. C.

January 31, 1959

To: Docket

Subject: Withdrawal of Pending DIEA Application

Effective this date, this pending DIEA application is considered withdrawn for statistical purposes.

If, at a later date, the applicant requests reconsideration under the OIE program, all pertinent material in the DIEA file should be transferred to the new OIE docket.

Frank B. Johnson
Acting Director

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
1-14	Martin	400
1/22	Selfridge	120
		~~110~~
1/29	C	225
		400

JAN 29 1959

Holly Corporation
340 Third Street, N. W.
P. O. Box 1509
Albuquerque, New Mexico

Re: Docket No. DMEA 4753 - Mercury
Hermes Mercury Mine
Valley County, Idaho

Gentlemen:

Enclosed is a copy of the new Office of Minerals Exploration regulations for obtaining Federal assistance in financing mineral exploration.

If you wish to have your partly-processed DMEA application considered under the OME regulations, you should complete and return four copies of the attached application, MME Form 40.

Please note that your signature on the new form certifies that you would not ordinarily undertake the proposed exploration at your sole expense under current conditions or circumstances. The information requested in Item 1(a) - and 1(c) if applicable - is used to determine your financial eligibility under the new exploration program. Data submitted with your DMEA application need not be repeated in the OME application, but should be revised or supplemented as necessary.

Furthermore, under the new program the Government would not contribute more than fifty (50) percent of the total allowable costs of the exploration specified in a contract if one should be approved.

Also enclosed are seven copies of the Lien and Subordination Agreement, MME Form 52, referred to in Item 2(c) of the application. If Bonanza Mines, Inc., still has an interest in the property, five of these should be made out and signed by that corporation and returned to this office; the other two copies are for your files and Bonanza's. If the royalty obligations have been met, we should be advised.

In the note pinned to the front of the first page of your DMEA application, you stated that "proper legal steps are under way to effect the formal transfer of titles." If these transfers have been completed, please furnish us with a signed reproducible copy of each document transferring title.

If you do not wish to participate in the OME program, we shall appreciate being so informed.

Sincerely yours,

Frank E. Johnson

Acting Director

Enclosures

WSMartin:foc 1-14-59
cc to: Code 400
Director's Read. File
FT. REG. I (2)
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

DMEA FORM 6 REFERENCE SLIP

REV. 12-56 DEFENSE MINERALS EXPLORATION ADMINISTRATION

TO:	INITIALS	DATE
1. ~~Code 120~~		
2. ~~110~~		
3.		
4.		
5.		

FROM: W. S. MARTIN 1/14/59

FOR: Check items for action desired

____ Action ____ Reply for signature of ____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions ____ Your information

REMARKS:

The attached letter follows generally the suggested model, but there is not much chance that the applicant will be interested, now.

INT.-DUP. SEC., WASH., D.C. M8278

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
9-19	Martin	400
		120
"	[illegible]	100
		220

SEP 19 1958

Holly Corporation
340 Third Street, N. W.
P. O. Box 1509
Albuquerque, New Mexico

Re: Docket No. DMEA 4753 - Mercury
Hermes Mercury Mine
Valley County, Idaho

Gentlemen:

As you have an application for exploration aid pending in our office, perhaps you may wish to study the proposed OME regulations and comment on them before October 17 as provided in the first paragraph of the enclosed notice reprinted from the Federal Register of September 17.

Some time after October 17 when the final regulations become effective, we will send you the new application form so you may furnish any additional information necessary to process your application for aid under the new program.

Sincerely yours,

[illegible]

[illegible] Director

Enclosure

WSMartin:foc 9-19-58
cc to: Admr. R. File
Oper. Comm.
FT. REG. I

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
7-2	Martin	400
7/3	Selfridge	136
7/3	Johnson	110
"	Mittendorf	100
		220

Holly Corporation
340 Third Street, N. W.
P. O. Box 1509
Albuquerque, New Mexico

JUL 3 1958

Re: Docket No. DMEA 4753 - Mercury
Hermes Mercury Mine
Valley County, Idaho

Gentlemen:

Early in June we sent you the Department of the Interior Information Service Release dated June 6th which announced that no new Defense Minerals Exploration Administration contracts could be executed after June 30th because of the ending of the present program for exploration assistance. An extra copy of the release is enclosed for your convenience.

We regret to inform you that your application, identified above, could not be completely processed before June 30th because the necessary Consent to Lien and Subordination Agreement, or Performance Bond in lieu thereof, had not been submitted to us. As of the same date, it appears from telephone conversations and correspondence between your General Manager, Mr. J. C. Brassfield, P. O. Box 63, Stibnite, Idaho, and the DMEA Field Team, Region I, that you were contemplating making a written request that your application be withdrawn. Also, according to our latest information, no reply has been received to the letter of May 19, 1958, sent to you on this subject by Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region I.

Under these circumstances we propose to hold your application until the Congress acts on pending legislation to continue the program. If the program is continued, we will then ask you to state whether you wish us to consider your application under the new regulations to be established for this purpose.

Sincerely yours,

C. O. Mittendorf (for)

Administrator

Enclosure

cc to: FT. REG. I
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

WSMARTIN/foc 7-2-58
cc to: Code 400
Admr. R. File
Oper. Comm.

8623

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 12 1958
6/12 C 220
WSM 400

June 9, 1958

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

Re: Docket No. DMEA-4753 (Mercury)
Holly Corporation
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Selfridge:

In accordance with the second paragraph of your letter of May 2, 1958, we telephoned Mr. Brassfield, General Manager for the referenced corporation on May 6, 1958 and suggested the possibility of a Performance Bond in lieu of Consent to Lien. We were advised that the title transfer problems had been solved and that there was to be a meeting that evening at which he hoped to get the necessary instruments and Consents signed.

Brassfield called us on May 8 to say in effect that the meeting ended in more or less of a "donneybrook" and certain parties became so offended that they would not sign anything. He felt that personal feelings were so hurt that no rapprochement would be possible for some time to come and said he would write us a letter requesting that the application be withdrawn.

As we heard nothing further we wrote Mr. Brassfield May 19, 1958, two copies of our letter was sent to you. We have not yet received a reply and therefore, on the basis of Brassfield's telephoned request, reluctantly we recommend that this application be withdrawn.

By Field Team, Region I

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

Thomas E Howard
for: Wing G. Agnew, Member
U. S. Bureau of Mines

cc: USBM (2)
Alvord

DMEA
RECEIVED MAY 21 1958
DATE | INITIAL | CODE
5/21 | H.J. | 225
WSM | 400

So. 157 Howard Street
Spokane 4, Washington

May 19, 1958

Mr. J. C. Brassfield
Holly Corporation
P. O. Box 63
Stibnite, Idaho

Re: Docket No. DMEA-4753 (Mercury)
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Brassfield:

This is in further reference to our telephone call of May 6 and your call of May 8, 1958.

We were indeed sorry to learn that your claim negotiations had reached a state of impasse. As we have not yet received the letter you said you would write us requesting withdrawal of the application, we hope the situation is clearing and that you may be able to complete the negotiations.

We would appreciate hearing from you at an early date.

Sincerely yours,

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

cc: DMEA (2)
USBM (2)
Alvord

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
4-29	Holt	400
4-29	Martin	400
4/30	[illegible]	130
5/1	Johnson	110
	[illegible]	400
5/2	[illegible]	210
		400

MAY 2 1958

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

Re: Docket No. DMEA 4753 - Mercury
Holly Corporation
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Weissenborn:

Your letter of February 4, 1958, transmitted copy of a letter dated January 30, 1958, from the Applicant in the above-cited docket, stating that negotiations were still continuing to obtain liens necessary to support its application.

If nothing more has been heard, you might advise the Applicant that there is no assurance that new DMEA contracts can be considered after June 30, 1958; and that, if a Consent to Lien cannot be obtained promptly, time might be saved by providing a Performance Bond.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (HB)

APPROVED:

Frank D. Lamb (HB)
Member, Bureau of Mines

Thor H. Kiilsgaard (HB)
Member, Geological Survey

SPHCLT/dlm 4-29-58
cc to: Code 400
Admr. R. File
Oper. Comm.
REGION I
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

P. S. If a Performance Bond is to be accepted, we will need something in writing from the owner to the effect that it refuses to sign a Consent to Lien.

8623

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

DMEA
RECEIVED FEB 7 1958

2-7	C WSay	220 400

February 4, 1958

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

Re: Docket No. DMEA-4753 (Mercury)
Holly Corporation
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Selfridge:

Enclosed are two copies of a letter dated January 30, 1958 from the referenced Operator.

This letter is in reply to our letter of January 21, 1958, in which we asked regarding the documents necessary to clarify the company's right to the property.

Sincerely yours,

A. E. Weissenborn

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

Enclosures

cc: USBM (2) w/2 copies of encl.
Alvord

HOLLY CORPORATION

P. O. Box 68
STIBNITE, IDAHO

January 30, 1958

Mr. A. E. Weissenborn,
Executive Officer, DMEA
U. S. Dept. of the Interior,
So. 157 Howard St.,
Spokane 4, Washington

Re: Docket No. DMEA-4753 (Mercury)
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Weissenborn:

In reply to your letter of January 21st, I would like very much to have my application, DMEA-4753 (Mercury) kept open. Negotiations are still going on to obtain liens. I have hopes of clearing this up within the next two months.

I plan being in Spokane some time in February and at that time I will get in touch with you and discuss this matter.

Yours very truly,

J. C. Brassfield

J. C. Brassfield

JCB/d

Mar
ok
above
USGM
DMEA

REC'D
Air Mail
FEB 3 1958

OFFICIAL FILE COPY
DMEA
RECEIVED JAN. 27 1958
DATE | | CODE
1/27 | C | 220
1 | WSM | 400

So. 157 Howard Street
Spokane 4, Washington

January 21, 1958

Mr. James C. Brassfield
General Manager
Holly Corporation
513 W. Jefferson Street
Boise, Idaho

Re: Docket No. DMEA-4753 (Mercury)
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Brassfield:

Thank you for your letter of January 15, 1958 in which you tell us of your difficulty in getting liens to your property cleared.

We do not wish to be arbitrary and as long as there is a chance of getting things cleared up in the near future, we will be glad to keep your application open.

We would appreciate hearing from you from time to time so we will know what progress you are making towards clearing title. If it should become apparent that settlement may not be reached in the near future, perhaps you would like to withdraw your application for the present and have it reinstated when you have a clear title.

Sincerely yours,

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

cc: DMEA (2) w/2 copies of incoming
USBM (2)
Alvord

HOLLY CORPORATION

P. O. Box 63
STIBNITE, IDAHO

January 15, 1958.

Mr. [illegible] Weissenborn, [illegible]
[illegible] Geological Survey,
U. S. Dept. of the Interior,
[illegible] Forward St.,
[illegible], Washington

Re: Docket No. DMEM4253 (Mercury)
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Weissenborn:

This will acknowledge receipt of your letter January 8th, on above subject. We are sorry about the delay acknowledging your letters of Nov. 4th and [illegible] re adding this matter, but trouble was encountered with the former owners.

Another attempt will be made to get liens cleared up on the February 8th deadline.

Yours very truly,

J. C. Brassfield, G.M.

JCB/j

DMEA

OFFICIAL FILE COPY
DMEA
RECEIVED JAN 27 1958

DATE		CODE

airmail

OFFICIAL FILE COPY DMEA RECEIVED JAN 10 1958		
DATE	INITIALS	CODE
1-10	gb	220
	WSM	400

Sc. 157 Howard Street
Spokane 4, Washington

January 8, 1958

Mr. James C. Brassfield
General Manager
Holly Corporation
513 W. Jefferson Street
Boise, Idaho

Re: Docket No. DMEA-4753 (Mercury)
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Brassfield:

This is in further reference to our unacknowledged letters of November 4, 1957 and December 9, 1957 regarding our need for a signed reproducible copy of each document transferring title to Holly Corporation if the legal steps to effect such transfer referred to in a note pinned to your DMEA application have been completed, and a consent to lien by Bonanza Mines, Inc. unless the royalty obligations of United Mercury Mines and Holly Uranium Corporation to Bonanza have been satisfied.

Unless we hear from you by February 9, 1958, we will have to recommend that your application be denied.

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)
Alvord

OFFICIAL FILE COPY
DMEA
RECEIVED DEC 16 1957

DATE	INITIALS	CODE
12/16	gb	220
12/16	WSOY	400

So. 157 Howard Street
Spokane 4, Washington

December 9, 1957

Mr. James C. Brassfield, General Manager
Holly Corporation
513 W. Jefferson Street
Boise, Idaho

Re: Docket No. DMEA-4753 (Mercury)
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Brassfield:

In a letter dated November 4, 1957, we requested you to furnish us with a signed reproducible copy of each document transferring title to Holly Corporation if the legal steps to effect the formal transfer of titles referred to in a note pinned to your DMEA application have been completed.

We also said that our Washington office has advised us that, unless the royalty obligations of United Mercury Mines and Holly Uranium Corporation to Bonanza Mines, Inc. have been satisfied, a consent to lien by Bonanza will be required.

As our Washington office cannot continue processing your application until these questions have been settled, we would appreciate an early reply.

Sincerely yours,

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

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

OFFICE OF THE DMEA RECEIVED NOV 8 1957		
DATE	INITIALS	CODE
11-8	C	220
11/8	DLC	400
	WSM	

November 4, 1957

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

Re: Docket No. DMEA-4753 (Mercury)
Holly Corporation
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Selfridge:

In reference to your teletype of October 31, 1957, regarding ownership of the Hermes Mercury mine, we only have the Contract of Sale and the Agreement which accompanied the application as Exhibit "A" and Exhibit "B", respectively.

Enclosed are two copies of a letter we have written the applicant regarding his title and the Consents to Lien by Bonanza which may be required. We will forward a reply as soon as we receive it.

By Field Team, Region I

Wing G. Agnew

Wing G. Agnew, Acting Exec. Officer
U. S. Bureau of Mines

Donald R. MacLaren

Donald R. MacLaren, Acting Member
U. S. Geological Survey

Enclosures
cc: USBM(2)
Alvord

DMEA
RECEIVED NOV 8 1957
DATE

So. 157 Howard Street
Spokane 4, Washington

November 4, 1957

Mr. James C. Brassfield, General Manager
Holly Corporation
513 W. Jefferson Street
Boise, Idaho

Re: Docket No. DMEA-4753 (Mercury)
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Brassfield:

In a note pinned to the front of the first page of your DMEA application, you stated that "proper legal steps are under way to effect the formal transfer of titles." If these transfers have been completed, will you please furnish us with a signed reproducible copy of each document transferring title.

On page 9 of the contract of sale, submitted with your application as Exhibit "A", in paragraph 16 reference is made to payments due November 1, 1955, and February 1, 1956; and on page 3 of the agreement, Exhibit "B", paragraph 6, states that royalty is due Bonanza Mine, Inc.

We have been advised by our Washington office that unless royalty obligation of United Mercury Mines and Holly Uranium Corp. to Bonanza Mine, Inc., has been satisfied, a consent to lien by Bonanza will be required.

Enclosed are seven copies of Consent to Lien and Subordination Agreement, five of which should be made out and signed by Bonanza Mine, Inc., and returned to this office if that company still has an interest in the property. The other two copies are for your and Bonanza's files. If the royalty obligations have been met, please advise us.

By Field Team, Region I

Wing G. Agnew, Acting Exec. Officer
U. S. Bureau of Mines

Donald R. MacLaren, Acting Member
U. S. Geological Survey

cc: DMEA(2)
USBM(2)
Alvord

Enclosures

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
10/30	Holt	400
10/30	Martin	400
10/30	Williams	130
10/30	Lamb	130
"	Johnson	110
		~~140~~
10/31	gb	220
		400

OCT 31 1957

INTERIOR 10/30 Selfridge 130

DMEA

CXXXXXXXXXXXXXXXXXXXXXXXX

14X4401(01) REVOLVING

FUND, DEFENSE PRODUCTION ACT, INTERIOR
(TRANSFER TO OFFICE OF SECRETARY)

T E L E T Y P E

MR. A. E. WEISSENBORN, EXECUTIVE OFFICER
DMEA FIELD TEAM, REGION I
SOUTH 157 HOWARD STREET
SPOKANE 4, WASHINGTON

PLEASE MAIL WHATEVER DATA ARE ALREADY AVAILABLE ON OWNERSHIP DISCUSSED IN NOTE ON FIRST PAGE OF APPLICATION DOCKET DMEA 4753 HOLLY CORPORATION. UNLESS ROYALTY OBLIGATION OF UNITED MERCURY MINES AND HOLLY URANIUM CORPORATION TO BONANZA MINES INC. HAS BEEN SATISFIED A CONSENT TO LIEN BY BONANZA WILL BE REQUIRED.

George C. Selfridge

CHAIRMAN, OPERATING COMMITTEE (GCS)

SPHOLT:foc 10-30-57
cc to: Code 400
Admr. R. File
Oper. Comm.
FT. REG. I
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

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

OCT 29 1957

WSY

Memorandum

To: Director, Division of Iron and Ferro-Alloys

From: Associate Solicitor, Division of Mineral Resources

Subject: Docket No. DMEA 4753
Holly Corporation
Hermes Mercury Mine
Valley County, Idaho

Our review of the attached file containing the Holly Corporation's application discloses several gaps in the applicant's property rights. In order to clarify the matter, we should have some evidence or statement concerning the transfer of property from the Holly Uranium Corporation to the Holly Minerals Corporation and from the latter to the Holly Corporation. Also, it should be determined whether or not the obligation running to the Bonanza Mines, Inc., referred to in Article 6 of the Contract of Sale between United Mercury Mines Company and Holly Uranium Corporation, has ever been satisfied. If the obligation is still outstanding, the applicant should obtain a Consent to Lien and Subordination Agreement executed by the Bonanza Mines, Inc.

Robert P. Dwyer

DMEA Form 9
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
10-14	Holt	400
10-14	Martin	450
		140

October 14, 1957

MEMORANDUM

To: Associate Solicitor, Division of Mineral Resources

From: Division of Iron and Ferro-Alloys, DMEA

Subject: Preparation of Contract
Docket No. DMEA 4753
Holly Corporation
Hermes Mercury Mine
Valley County, Idaho

Attached is a rough draft of a proposed contract for your use in preparing it in final form.

Maps, Fig. 1 and Fig. 2, to accompany the contract are also attached.

Please advise whether we should take steps to investigate the relationship between Holly Corporation and Holly Uranium Corporation as well as the royalty rights reserved by Bonanza Mines, Inc.

W. S. MARTIN

W. S. Martin, Director
Division of Iron and Ferro-Alloys

Attachment

SPHolt/dlm 10-14-57
cc to: Code 400

8623

EXPLORATION PROJECT CONTRACT
HOLLY CORPORATION
DOCKET NO. DMEA - 4753

ANNEX I

The land referred to in Article 2 of the contract consists of five (5) patented lode mining claims (Fig. 1), situated in secs. 1 and 12, T. 18 N., R. 9 E., and secs. 6 and 7, T. 18 N., R. 10 E., Boise Meridian, Yellow Pine Mining District, Valley County, Idaho, and recorded in the office of the County Recorder of Valley County at Cascade, Idaho, as follows:

Claim Name	U. S. Survey Number	Recorded Book No.	Page No.
Hermes	3396	4 of Patents	194
Pretty Maid	3396	"	195
Monumental No. 1	3396	3 of Patents	190
Monumental No. 2	3396	"	190
West End	3395	8 of Misc. Coll. Records	108

Excluded from the land described in Article 2 is that land lying southeast of a vertical plane determined by a line striking N. 30° E. and passing through the center line of the 76W15-2 Raise (Fig. 2).

EXPLORATION PROJECT CONTRACT
HOLLY CORPORATION
DOCKET NO. DMEA - 4753

EXHIBIT "A"

Description of the Work

The maps attached to and made part of the contract are as follows:

Fig. 1. Claim Map(in Part), Hermes Mercury Mine, Valley County, Idaho, Docket No. DMEA 4753

Fig. 2. Proposed Exploration, Hermes Mercury Mine, Valley County, Idaho, Docket No. DMEA 4753

Proposed Work

Drive drifts and crosscuts, excavate diamond drill stations, and drill diamond drill holes, on the 7800 level from the 7600 W15-2 Raise, as follows: (Fig. 2).

Stage I

Work Classification	Direction	Drift, Xcut or DD Station Length - Ft.	DD Hole Length - Ft.
Access Drift	West - Approx.	140	
" "	N. 60° W. "	450	
No. 1 Crosscut	N. 20°30'E. "	330	
Access Drift	Follow qst. contact	300	
No. 2 Crosscut	N.20°30'E. Approx.	200	
Two Drill Stations	- - - - - -	20	
Diamond drill, 4 holes			740
Access Drift	N. 65° W. Approx	300	
No. 3 Crosscut	N.20°30'E. "	330	
Access Drift	N. 65°W. "	310	
No. 4 Crosscut	N. 20°30'E. "	150	
Four Drill Stations	- - -	40	

Diamond drill 5 holes	_____	920
Totals, Stage I	2,510 drift & Xct 60 DD Sta.	1,660

Stage II

Diamond drill, 4 or more holes, from locations, with directions, inclinations and lengths of holes as approved by the Government	_____	800
Total, Stage II	_____	800
Totals for the project	2,510 60	2,460

General Provisions

The directions and lengths of drifts and crosscuts, and the directions, inclinations and lengths of diamond drill holes, herein described, or any changes thereof, are subject to approval by the Government in writing.

All drifts and crosscuts shall be at least 5 feet by 7 feet in the clear and timbered with standard drift sets as necessary. It is estimated that 1,760 feet of drifting and /or crosscutting will require timber.

All drifts and crosscuts shall be sampled at 5-foot intervals in mineralized zones and the samples assayed for mercury.

Diamond drill holes shall be not less than AX in size, and shall be cemented and re-drilled and/or reamed and cased, as necessary. Diamond drill cores shall be split and one portion furnished to the Government. All cores shall be sampled in mineralized zones and assayed for mercury.

Estimated Cost of the Contract

Stage I

Actual Costs

Category (1) Independent Contracts

Diamond drilling:		
300 feet size AX @ $5.60/ft.	$1,680.00	
1,360 feet size BX @ $5.85/ft.	7,956.00	
Reaming and casing and/or cementing and re-drilling, 450 feet @ $2.60/ft.	1,170.00	
Category (7) Miscellaneous		
Core boxes, wooden, 42 @ $5.00/each	210.00	
Fixed Unit Costs		
Drifting and crosscutting, 2,510 feet @ $30.00/ft.	75,300.00	
Timbering drifts and/or crosscuts, 1,760 feet @ $6.00/ft.	10,560.00	
Excavating 6 diamond drill stations, each equivalent to 10 feet of crosscut, 60 feet @ $30.00/ft.	1,800.00	
Incidental Allowance 1/ for each foot of drilling completed, 1,660 feet @ $0.60/ft. (Rounded)	995.00	
Assaying, 700 samples for Hg. @2.00/each	1,400.00	
Estimated Total Cost of Stage I		$101,071.00

Stage II

Actual Costs

Category (1) Independent Contracts		
Diamond drilling:		
300 feet size AX @ $5.60/ft.	$1,680.00	
500 feet size BX @ $5.85/ft	2,925.00	
Reaming and casing and/or cementing and re-drilling, 300 feet @ $2.60/ft.	780.00	
Category (7) Miscellaneous		
Core boxes, wooden, 20 @ $5.00/each	100.00	
Fixed Unit Costs		
Incidental Allowance 1/ for each foot of drilling completed, 800 feet @ 0.60/ft.	480.00	

Assaying, 150 samples for Hg. @ $2.00/each	$300.00	
Estimated Total Cost of Stage II		6,265.00
Estimated Total Cost of Project		$107,336.00
Government Participation @ 75 percent		80,502.00

1/ Includes all costs whatsoever that are otherwise allowable costs under Categories (1) through (7) of the Contract, except as scheduled in Exhibit "A".

MF-200
(Revised June 1954)

Docket No. DMEA 4753

Commodity Mercury

Contract No. Idm-E

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

EXPLORATION PROJECT CONTRACT[1]

It is agreed this ..... day of ....., 195...., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] Holly Corporation, a Delaware corporation, whose mailing address is 340 Third Street, N. W., P. O. Box 1509 Albuquerque, New Mexico, hereinafter called the "Operator," as follows:

ARTICLE 1. *This contract* is entered into under the authority of the Defense Production Act of 1950, as amended. It consists of this form (MF-200), the attached Exhibit "A," Annex I, and Two (2) Maps

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

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

(b) The Operator represents and undertakes that:

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

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

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

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

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

.....

.....

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

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of .....Mercury..... The work to be performed is described in Exhibit "A." The Operator on or before ..... shall commence the work, and on or before ..October 31, 1958..... (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall either have completed the work or shall have incurred allowable costs (see Article 6) in a sum not less than the estimated total allowable cost set forth in Exhibit "A."

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

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

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

ARTICLE 5. *Contribution by the Government.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $....107,336.00..... The Government shall contribute ..75.. percent of the allowable costs as they are incurred in a total sum not in excess of $....80,502.00.....: *Provided,* That until the Operator has rendered to the Government his final report, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last

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

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

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

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

CATEGORY (2)—PERSONAL SERVICES.

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

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

Subcategory (c)—Labor.

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

CATEGORY (4)—OPERATING EQUIPMENT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 13. *Changes and added provisions.*—

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By Administrator, Defense Minerals Exploration Administration

HOLLY CORPORATION

(Operator)

By

I, , certify that I am the secretary of the corporation named as Operator herein; that who signed this contract on behalf of the Operator, was then of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

[CORPORATE SEAL]

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

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

IN REPLY REFER TO:

OFFICIAL FILE COPY
DMEA
RECEIVED OCT 8 1957

DATE	INITIALS	CODE
10/8	B	220
10/8	WSM	400

October 7, 1957

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

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

Subject: Review of field examination report, DMEA 4753 (mercury), Holly Corporation, Hermes Mercury mine, Valley County, Idaho

The examining team report that geologic conditions on the applicant's property are favorable for the presence of undiscovered mercury ore deposits.

The Hermes Mercury mine has been one of the important producers of mercury in the United States since 1942.

The field examiners conclude that the favorable geologic structure that is present in the producing part of the mine should extend to the northwest into the area now being considered for exploration. The examiners recommend an exploration project consisting of diamond drilling, drifting, and crosscutting at a total estimated cost of $107,337.

I concur with the recommendations of the Field Team on the grounds that the proposed work appears to have a good chance for success.

W. P. Williams

W. P. Williams

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

September 27, 1957

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

From: Assistant Chief, Branch of Base Metals

Subject: Review of Field Team examination report, Docket No. DMEA 4753 (mercury), Holly Corporation, Hermes Mercury Mine, Valley County, Idaho

After reviewing the examination report on the Hermes mine and modified exploration program recommended by the examining team, I believe that exploration of the property is warranted. The modified program proposed consisting of 1,500 feet of access haulage drift, 1,010 feet of crosscuts, 2,460 feet of diamond drill holes, and 6 drill sites to be done in 2 stages at an estimated total cost of $107,337.00 seems superior to that exploration program proposed by the applicant.

I concur with the recommendation of the Field Team that the application for DMEA aid be approved.

J. W. Pennington

Copy to: Division of Minerals
Branch of Base Metals (2)
Thor Kiilsgaard, U.S.G.S.
F. D. Lamb
F i l e s

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UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

DMEA RECEIVED SEP 23 1957		
DATE	INITIALS	CODE
9/23	B	220
	esl	130
9/30	JC	220
	WSM	400

September 20, 1957

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

Re: Docket No. DMEA-4753 (Mercury)
Holly Corporation
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Selfridge:

Enclosed are three copies of an examination report by G. G. Waddell, Mining Engineer, Bureau of Mines, and Howard F. Albee, Geological Survey, on the Hermes Mercury mine, Valley County, Idaho.

The Hermes Mercury mine has been one of the important producers of mercury in the United States since 1942. There is a record of 10,269 flasks having been produced and current reserves are estimated at 10,826 flasks of mercury.

The cinnabar is found in replacement deposits and as fracture fillings in a strongly altered and sheared dolomitic limestone. From geologic inference and surface exposures similar geologic conditions should prevail to the northwest of the present workings. The Holly Corporation has proposed an underground exploration program that, as modified by the examiners, will explore about 400,000 square feet of this northwest area.

Waddell and Albee conclude that the geologic probability of making a significant discovery is good and they recommend that the application be approved.

The Field Team concurs with this recommendation.

By Field Team, Region I

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

Stephen L. Zolebek
for Thomas E. Howard, Acting Member
U. S. Bureau of Mines

Reviewed by
DMEA OPERATING COMMITTEE
9/27/57
(date)

Enclosures
cc: USBM(2) Albee
USGS(SRO)

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DMEA
RECEIVED SEP 23 1957

DATE	INITIALS	CODE

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
So. 157 Howard Street
Spokane 4, Washington

September 13, 1957

MEMORANDUM

To: DMEA Field Team, Region I

From: G. G. Waddell, Mining Engineer, U. S. Bureau of Mines, and H. F. Albee, Geologist, U. S. Geological Survey

Subject: Field Examination Report, Docket No. DMEA-4753 (mercury), Holly Corporation, Hermes Mercury Mine, Valley County, Idaho

DMEA (3)

INTRODUCTION

On May 29, 1957, the Holly Corporation submitted an application for aid in exploring for mercury at the Hermes mine, Valley County, Idaho. The assistance as applied for would consist of exploring the westerly extension of a mercury-bearing altered dolomitic limestone zone by 3,100 feet of drifting and crosscutting at a cost of $110,692.89.

On July 10 and 11, 1957, the property was examined by H. F. Albee, Geologist, U. S. Geological Survey, and E. W. Parsons and G. G. Waddell, Mining Engineers, U. S. Bureau of Mines, accompanied by Sui-Ju Kung, mining engineer and foreign trainee from Taiwan (Formosa). Mr. J. C. Brassfield, mine superintendent, Mr. J. G. Heaston, a company officer, and Mr. Fife, who is in charge of the concentrating process, were on the property.

SUMMARY

The Hermes Mercury mine has been one of the important producers of mercury in the United States since 1942, when the Bureau of Mines outlined ore reserves estimated to contain nearly 40,000 flasks of mercury. There is a record of 10,269 flasks having been produced up to this year. Holly Corporation estimates their current reserves contain 10,826 flasks of mercury.

The cinnabar is found in shears trending N. 60°-80° W. and nearly vertical throughout the dolomitic and siliceous limestone which is flanked on both sides by quartzite. The limestone is broken and

Reviewed by
DMEA OPERATING COMMITTEE
9/27/57
(date)

incompetent, making it necessary to use timber in the development excavations and square-sets in the stopes. The previous operators had not backfilled their stopes which caused many to cave and make several areas economically unminable. Because the quartzite is more competent than the limestone, it is desirable to drive the exploration headings in it whenever possible.

Several areas on the surface northwest of the mine workings show good mineralization. However, a considerable amount of favorable limestone host rock is covered by a thick mantle of overburden. Surface diamond drilling was considered for exploring this area, but the heavy overburden and steep topography make this method impractical.

The Holly Corporation has proposed an underground exploration project that, as modified by the field examiners, will explore an area of about 400,000 square feet.

The work will start from the top of the 76W15-1 raise which is 200 feet above the 7600 main haulage level. The exploration rock will be dropped down this raise and trammed out of the mine. The company plans to drive a drift from the top of this raise to connect into a ventilation and service raise at their own expense.

The field examiners modified the applicant's proposal to include 2,570 feet of haulageways and crosscuts and 2,460 feet of diamond drilling.

RECOMMENDATION

It is recommended that the application be approved with the modifications as proposed by the writers.

LOCATION AND ACCESSIBILITY

The Hermes property is located 85 miles east of McCall, Idaho, via Yellow Pine, Idaho, which is 17 miles west of the mine. The road is unsurfaced and only wide enough for one-way traffic. It is kept in good repair in the summer and usually is open in the winter. Bradley, Idaho, 7 miles south of the mine, has a landing field that can accommodate two-engine aircraft. McCall is the nearest railhead. The mine is in daily contact with Boise by short-wave radio.

This property is in the Yellow Pine mining district, Valley County, Idaho, and includes portions of secs. 1, 2, 12, and 13 of T. 18 N., R. 9 E., and secs. 6, 7, 17 and 18 of T. 18 N., R. 10 E., B.M.

TERRAIN AND CLIMATE

The relief is very rugged. Most of the mountain peaks exceed 9,000 feet in altitude. Quartzite is the most abundant rock in the district and stands nearly vertically in many places making up many of the steep peaks. The limestone has been more susceptible to erosion. The district is well timbered and supports logging operations.

Although the winters are severe and 20 feet of snow is not uncommon at the mine camp (elev. 7,600 feet), the company has been able to operate continuously.

COMPETENCY OF APPLICANT

The Holly Corporation is a large company that operates a variety of enterprises of which mining is only a branch. The superintendent and mine foreman appear to have sufficient mining knowledge to operate the property in a businesslike manner.

PROPERTY RIGHTS

On August 4, 1955, United Mercury Mines Company, an Idaho corporation, sold certain patented and unpatented mining claims to Holly Uranium Corporation, a Delaware corporation. Subsequently, the latter has changed their corporate structure and name to Holly Minerals Corporation and at present to Holly Corporation. Proper legal steps are underway to effect the formal transfer of title.

Exhibit "A" of the application gives the description on 47 unpatented and 20 patented mining claims.

Bonanza Mines, Inc. have retained royalty rights of $7\frac{1}{2}$ percent of production by an agreement dated May 5, 1949. ?

DESCRIPTION OF THE PROPERTY

There are several good houses for families and a large bunkhouse and dining hall on the property. Other buildings include a framing shed, storage buildings, office and some garages. Mill facilities and other buildings were burned by a fire on August 19, 1956. The company has begun replacing these facilities and is installing a flotation and electrolytic precipitation plant.

The mine is serviced by two main haulage levels, the 7500 level and the 7600 level, that total about 4,000 feet of drifts and crosscuts. In addition, there are sublevels and numerous raises.

Several of the stopes and development crosscuts driven by former operators have caved, making the areas inaccessible and rendering much of the ore unminable.

Plate 2 accompanying the application shows surface and underground workings and buildings. Assays are included with this report. During 1941 and 1942 the Bureau of Mines completed 9,118 feet of diamond drilling on the property (pl. 3 accompanying the application). Subsequently, the operating companies have performed some additional drilling (pl. 2 of this report).

GEOLOGY

The Hermes mine is in the eastern part of the Yellow Pine mining district which lies about in the center of the exposed area of the Idaho batholith. Remnants of Paleozoic and earlier sedimentary formations constitute roof pendants within the batholithic area and the Hermes mine lies within one of these roof pendant masses.

Quartzite and crystalline dolomitic limestone constitute a large part of the roof pendant. The sedimentary rocks are exposed in a belt that trends northwest, following the general strike of the beds. The prevailing dips of the sediments are N. 60°-85° E., but flatter and northwest dips are common in places.

The Hermes mine is in an altered, siliceous dolomitic limestone which averages about 340 feet thick. The dolomitic limestone host rock strikes N. 60°-80° W. and lies nearly vertical between dense, white to light gray quartzite beds. A fault and a narrow rhyolite dike, which strike northeasterly, cut the quartzite and dolomitic limestone beds (pl. 1). The beds on the southeast side of the dike are offset about 150 feet to the northeast. Landslide material covers the southwesterly projection of the fault.

The cinnabar is found in replacement deposits and fracture fillings in the strongly altered dolomitic limestone. The host rock contains abundant angular fragments of white quartz and considerable cherty or chalcedonic silica. The latter appears to occur most commonly in mineralized zones and is a prominent accessory gangue mineral.

A kaolinized and sericitized aplitic intrusion about 4 feet thick is found on the 7500 level. East of the 7500 haulage drift the aplite dips about 30° easterly. At about the level of the drift the dike flattens, crosses through or above the drift then dips westerly. The anticlinal-like body thus formed plunges about 10° southeasterly at approximately the same strike as the

sedimentary beds. Numerous small cross faults with the downthrow sides to the northwest maintain the dike at the drift level through a distance of 100 feet or more before it disappears in the back. The ore is found mostly above the easterly dipping part of the dike and above a plane projected updip to the west (J. C. Brassfield, General Manager, Hermes mine, personal communication).

The ore bodies are the higher grade parts of several elongated mineralized zones whose long axes are roughly parallel to the strike of the host rock. The relation in space of the mineralized zones to the underlying aplitic intrusion indicates that the mineralized zones and contained ore bodies should have an easterly plunge of about 10°. Mining northerly from where the aplite goes into the back of the 7500 haulage drift bears out this plunging attitude.

Throughout the mine workings the host rock is sheared and strongly altered, and random slickensided fragments attest to the intense crushing and innumerable minor adjustments that have taken place. No major faulting or shearing was seen concentrated at any one place away from ore nor was any major direction of shearing noted. Ore bodies are presumably found where the greatest amount of shearing has occurred, but the shearing apparently does not extend away from the ore and thus does not afford a guide to ore bodies.

The applicant has stated that ore has been mined to a width of 40 feet and that ore-grade material ranges from 200 to 400 feet in length and from 100 to 300 feet in height. Production from the Hermes has been 10,269 flasks of mercury and the reserves at the time of the application were estimated at 137,130 tons of ore containing an average of 6 pounds of mercury per ton. This estimate was revised upward at the time of the field examination because certain exploration raising was successful in showing ore between what were previously thought to be two ore bodies.

The applicant has successfully mined ore from an open pit some 500 feet farther west and about 750 feet higher than his westernmost proposed exploration work. On the basis of geologic inference and mineralized surface outcrops the geologic probability of discovering minable reserves in the proposed area of exploration is good.

PAST OPERATIONS

The patented and unpatented mining claims which make up this property were staked in the early 1920's. The first discovery of mercury was in 1917. From 1917 to 1941 several operators worked

the mine, including Bradley Mining Company. The latter started a deep crosscut from the Stibnite workings with the intention of entering the mercury-bearing area at a considerable depth, but this project was never completed.

In 1941 and 1942 the U. S. Bureau of Mines studied and drilled the area. Coincidently with this operation, Bonanza Mines, Inc. recognized the potential of the property and started preparations for production. The Bureau of Mines diamond drilled 9,118 feet which made possible the ore reserve estimate (measured, indicated and inferred) of 39,823 flasks of mercury from ore assaying better than 4 pounds mercury per ton. In 1948 and 1949 the mine was closed. The following two years United Mercury Mines, Inc. repaired the buildings and did some development work. From 1951 to 1955 they had a steady production. Late in 1955 Holly Minerals Corporation took over the operation of the property.

The production was as follows:

Year	Company	Flasks
1917-42	Several companies	33
1942-48	Bonanza	6,000+
1948-55	United Mercury	3,370
1955-57	Holly	866
	Total flasks	10,269

The ore reserve estimate made by Holly Corporation was 137,130 tons at 6 pounds of mercury per ton, containing 10,826 flasks of mercury.

AVAILABILITY OF MANPOWER AND MATERIALS

Manpower is plentiful, especially since the nearby Bradley mine closed operations. The wage scale is considerably lower than at the larger mining districts. Timber is supplied by local contractors and the other supplies are trucked from Boise. There appears to be enough available water for the proposed flotation mill. Electrical power is supplied by the Idaho Power Company with a power line connecting to the Cascade substation.

APPLICANT'S PROPOSAL

A summary of the applicant's estimate of costs (p. 10g of application) follows:

Item No. Description	Monthly Cost	Total cost 18.98 mo.	Cost/ft. 3,100 ft.
6 (b)			
Labor and Supervision	$ 2,643.10	$ 50,165.98	$16.182
6 (c)			
Operating Materials and Supplies			
Hand tools	23.94	454.32	.142
Explosives	111.06	2,108.00	.680
Timber	82.81	1,571.70	.507
Rail	629.48	11,947.50	3.850
Drilling and slushing air	149.19	2,831.60	.912
Water	20.00	379.60	.120
Electric power	54.88	1,041.60	.336
Ventilation	130.56	2,478.00	.798
Drill steel, bits and lube	25.32	480.50	.158
Slusher wire rope	12.22	232.00	.074
Total 6 (c)	$ 1,239.46	$ 23,524.82	$ 7.577
6 (d)			
Equipment rental	718.75	13,641.96	4.397
Equipment purchases		1,585.00	.511
Total 6 (d)		$ 15,226.96	$ 4.908
6 (g)			
Equipment repairs	85.00	1,613.30	.520
Assays	52.69	1,000.00	.322
Accounting	100.00	1,898.00	.612
Insurance and payroll taxes	382.71	7,263.83	2.340
Total 6 (g)	$ 620.40	$ 11,775.13	$ 3.794
6 (h)			
Contingencies	526.87	10,000.00	3.225
	$ 5,029.83		
Total Cost of the Proposed Project		$110,692.89	$35.686

The applicant submitted a breakdown of costs with his MF-103 form that is not reproduced in this report but may be referred to. There are several errors in mathematics and estimations of costs.

The Holly Corporation proposed the following exploration program:

Project	Direction	Distance (ft.)	Objective
Access haulageway	S. 50° W.	110	Quartzite contact
do	N. 42° 30' W.	250	
do	N. 69° 30' W.	285	
No. 1 exploration crosscut	N. 20° 30' E.	330	Cut mineralization
Access haulageway	N. 69° 30' W.	800	In quartzite
No. 2 exploration crosscut	N. 20° 30' E.	350	Cut mineralization
No. 3 exploration crosscut	N. 20° 30' E.	345	Cut mineralization
No. 4 exploration crosscut	N. 20° 30' E.	330	Cut mineralization
No. 5 exploration crosscut	N. 20° 30' E.	300	Cut mineralization
Total		3,100	

The total time estimated to complete the exploration project is 19 months.

DISCUSSION OF APPLICANT'S PROPOSAL

In view of the past production, the geology and sampling, the exploration to the northwest has merit. The geologic mapping and sampling indicate that the mineralization is present at various places on the surface above and to the northwest of the target zone (pl. 1) and the geology is similar to that of the past production area. The drilling program of the U. S. Bureau of Mines in 1941-42 extended the known mineralization approximately 150 feet northwest of the present underground workings and the Holly Corporation is proceeding to develop this ore.

Very little is known about the depth of mineralization in the dolomitic limestone northwest of the present underground workings. The 8000-level adit was sampled and showed fair mineralization but an old crosscut under the adit at an altitude of 7,600 feet did not give an indication of mineralization. Surface diamond drilling below the adit indicated ore at the 7800 level, the level of the proposed exploration. Because of this ore, the 7800 sublevel has been selected for the exploration level. The sublevel will be 150 feet below the surface. The most northwest crosscut of the proposed work will be 600 feet below the surface. Mr. Brassfield believes the ore bodies plunge to the southeast and that the end of the proposed exploration crosscutting may be at too great a depth.

Several methods of exploration have been considered for this project, one of which was surface diamond drilling similar to that performed by the Bureau of Mines on the eastern part of the mine in 1941-42. However, because the terrain does not lend itself to drilling as well as to the northwest and the core recovery in the ore zone was not satisfactory, other methods have been emphasized. An excerpt from the summary report by A. M. Evans on the Bureau of Mines project states:

> "In conclusion it must be emphasized that our diamond drilling did not obtain absolutely accurate samples since in the soft altered limestone very poor core, and erratic sludge samples (some of which were greatly in excess of the theoretical sludge plus core) were obtained."

An estimate of surface drilling including site preparation, mobilization, assaying, supervision and geologist, etc. would exceed $12/ft. The extreme winter conditions may add to this estimate.

Underground diamond drilling by the present and former mine operators with holes up to 150 feet deep gave erratic and not too reliable results where sludge and core samples were taken. On longer flat holes it is feared that much of the heavy cinnabar in the sludge will be lost in the fractured dolomitic limestone which, if coupled with a poor core recovery, would produce adverse results.

With this in mind the field examiners have proposed a modified program using crosscuts through the prospective ore zone host rock to facilitate positive sampling and mapping and some diamond drilling to explore the wider crosscut interval thus reducing the cost of the project. By this method the drill holes can be easily correlated with the crosscuts and give good coverage in the area of interest. A second stage of drilling is proposed to extend vertically any discovered ore shoots. The drifts will be driven in the quartzite because the rock stands better than in the broken limestone. The quartzite should need only a small amount of timber, whereas the limestone would need heavy timber throughout. In the mineralized limestone zones where the shearing is the most extensive, the timber is squeezed and needs considerable attention. The field examiners' proposal will cost no more and explore a greater amount of territory more thoroughly than the applicant's proposal.

RECOMMENDED DMEA EXPLORATION PROGRAM

A total of 1,500 feet of access haulage drift, 1,010 feet of crosscuts, 2,460 feet of diamond drill hole, and 6 drill sites are recommended to explore the northwestward extension of the Hermes mine. Two stages are recommended for the program.

The reason for the recommended exploration change is to explore more thoroughly a larger area without increasing the cost of the project. The second stage is entirely for diamond drilling holes above and below the exploration level to help in estimating the ore reserves and projecting the vertical extent of ore bodies that may be discovered.

A 300-foot crosscut interval instead of 200 feet, four crosscuts (2 shorter ones) instead of five crosscuts, and an additional 100 feet of drifting to the northwest, plus the addition of short diamond drill holes, is the main difference in the proposed exploration as recommended by the field examiners.

Two years will be required to complete the exploration.

Following is the recommended exploration program starting from the 76W15-2 raise. In addition the Operator has agreed to drift approximately 100 feet at his own expense to connect into a ventilation raise and passage to the surface:

Stage I

Project	Direction	Drifting, crosscutting & D.D. stations	Diamond drilling
Access haulageway	Due west	140 feet	
do	Approx. N. 60° W.	450 feet	
No. 1 exploration crosscut	N. 20° 30' E.	330 feet	
Access haulageway	Follow quartzite contact	300 feet	
No. 2 exploration crosscut	N. 20° 30' E.	200 feet	
Cut 2 diamond drill stations		20 feet	
Diamond drill 4 holes			740 feet
Access haulageway	Approx. N. 65° W.	300 feet	
No. 3 crosscut	NE	330 feet	
Access haulageway	N. 65° W.	310 feet	
No. 4 crosscut	NE	150 feet	
Cut 4 drill stations		40 feet	
Diamond drill 5 holes			920 feet
Totals		2,570 feet	1,660 feet

Stage II

800 feet of diamond drilling
(to project vertically discovered ore bodies)

Stage I is estimated to take 20 months
Stage II is estimated to take 2 months

Total 22 months

RECOMMENDED COSTS OF PROJECT

Stage I

Diamond drilling. - BX core is recommended because of the better core recovery in fractured rock and the convenience of setting casing without reaming if it is necessary to reduce to AX size. The figures used are those submitted by Boyles Bros., who had by far the lowest over-all unit bid.

Diamond drilling	- 1360 feet BX @ $5.85	$ 7,956.00
	- 300 feet AX @ 5.60	1,680.00
Reaming & setting casing	- 300 feet @ 2.60	780.00
Cementing & drilling cement	- 150 feet @ 2.60	390.00
Use of facilities and air	- 3½ months	174.10
Part-time geologist-supervisor	- 3½ months @ $200/mo.	700.00 *
Unempl. comp., indus. insur., etc. 14.9 x 700		104.30
Assays for mercury	- 300 @ $2.00/ea. **	600.00
Core boxes	- 42 @ 5.00/ea.	210.00
		$12,594.40

* Incidental allowance - $0.59/ft. - SAY $0.60/ft.
**Applicant has offered to do mercury assays for one-half of commercial rate.

2,570 feet drifting & crosscutting * - 5'x7' in clear
*Including 6 diamond drill stations, totaling 60 feet
Estimated daily advance: 6 feet (2 shifts)
Estimated completion time: 16.5 months

1. Independent contracts — none

2. Labor and supervision

Labor

4 miners @ $16/day x 428 days x 1.083 o.t.	$29,665.54
1 trammer @ 14/day x 428 days x 1.083 o.t.	6,489.34
1 hoistman (25% of time) @ $16/day x 428 days x 1.083 o.t. x .25	1,712.00
1 mechanic (12½% of time) @ $20/day x 428 days x 1.083 o.t. x .125	1,158.81

Supervisor

1 supt.-geol.-engr. (25% of time) @ $650/mo. x 16.5 mo. x .25	2,681.25
1 mine foreman (25% of time) @ $600/mo. x 16.5 mo. x .25	2,475.00
Total	$44,181.94

3. Operating materials and supplies

Hand tools - misc.		168.34
Explosives		
Powder @ $20/100# x 26,000#		5,200.00
Fuse @ $1.34/100' x 104,000 ft.		1,407.00
Caps @ $0.024/ea. x 11,000		264.00
Wire rope slusher, 3/8#, $166/1000' - 2000 ft.		332.00
Drill steel and bits, $19.30/ea. x 65		1,254.50
1/2" water hose	41.50/100' - 150 ft.	62.25
1" air hose	92.54/100' - 150 ft.	138.81
Slusher blocks	55.00/ea. - 4	220.00
Pins	6.00/ea. - 6	36.00
Gin poles	12.00/ea. - 2	24.00
Line oilers	21.00/ea. - 2	42.00
16# rail, 27,408# @	12.20/cwt. (50% salvage)	1,671.89
Fishplates, 343 ft. @	0.60/pr. " "	102.90
Spikes, 1,000#	16.50/cwt.	165.00
Bolts, 1,000#	26.05/cwt.	260.50
Ties, 1,185	0.25/ea.	296.22
Track switches, 5	35.00/ea.	175.00
Pipe, 2", black, 2500'	0.67/ft. (50% salvage)	860.95
Pipe, 1", black, 2500'	0.239/ft. (" ")	307.12
Pipe fittings (25% of 1" and 2" total of $2,336.00)		584.04

3. Operating materials and supplies (continued)

8" vent pipe, 1500' 0.60/ft. (50% salvage)	450.00	
8" vent tube, 1000' $3.30/100'	333.00	
Vent tube & pipe fittings (15% of total of $1,733.00)	259.95	
Lub. and repairs 0.75/ft.	1,927.50	
Power - $75/mo. for 16.5 months	1,237.50	
Total		$18,280.47

4. Operating equipment

The applicant owns or will purchase the equipment to be used on the proposed exploration project. Equipment needed is listed below:

Equipment	Value	Monthly depreciation
1 air hoist	$1,275.00	$21.25
8 mine cars	250.00	33.33
1 Mancha motor and battery	5,800.00	96.67
1 air compressor	10,000.00	166.67
2 slushers	1,100.00	36.67
2 scrapers	225.00	7.50
5 miners lights	60.00	5.00
2 drills and jacklog	880.00	29.33
2 Coppus air blowers	680.00	22.67
1 24"x6' receivor	350.00	5.84
½ charging set	600.00	10.00
		$434.93

Total cost for 16.5 months		7,176.35
5. Rehabilitation		none
6. New buildings, etc.		none
7. Miscellaneous		
Assays for mercury - 200 @ $2.00/ea.	800.00	
Unempl. comp., Indust. insur., etc. 14.9% of payroll ($44,181.94)	6,583.11	
D-8 cat (level dump and snowplow) $50/mo. for 20 months	1,000.00	8,383.11
8. Contingencies		none
Total - less assaying		$77,221.67
Cost per foot, bald - $30.05 SAY $30.00		

Timbering

All of limestone is to be timbered and 50 percent of quartzite.

Total time to timber: 1,760 ft. @ 40 ft/day is 44 days or 1.7 months, including overtime.

1. Independent contracts — none

2. Labor and supervision

4 miners	@ $16.664	(incl. o.t.)	x 44	$2,932.88	
1 framer	@ 16.664	" "	x 44	733.22	
½ supervisor	@ 23.08	" "	x 11	253.88	
½ hoistman	@ 16.664	" "	x 11	183.30	
				$4,103.28	
Unempl. comp., Indust. insur., etc. 14.9% of payroll ($4,103.28)				611.39	$4,714.67

3. Operating materials and supplies

Posts (round) 704 @ $1.10/ea.	774.40	
Caps (round) 352 @ 1.10/ea.	387.20	
Girts (round) 704 @ 0.70/ea.	492.80	
Lagging - 31,680 bd. ft. 3" x 6' x 1760' x $65/1000	2,059.20	
Lagging - 21,120 bd. ft. 2" x 6' x 1760' x $65/1000	1,372.80	
Blocks, wedges, nails, etc.	450.00	
Power	42.50	
		$5,578.90

4. Operating equipment

Equipment	Value	Monthly depreciation
1 air hoist	$1,275.00	$21.25
4 mine cars	250.00	16.67
1 Mancha motor (1/4 time)	1,450.00	24.17
5 miners lights	60.00	5.00
2 Coppus air blowers	680.00	22.67
1 Air saw	300.00	5.00
1 Framing equipment	300.00	5.00
		$99.76

Total cost for 1.7 months — 169.59

Total cost for timbering — $10,463.16

Cost per foot - $5.94/ft. ≈ SAY $6.00

Stage II

800 feet of diamond drilling - to be used to project vertically any ore found in Stage I.

Diamond drilling	-	500 feet BX	@	$5.85/ft.	$2,925.00
	-	300 feet AX	@	5.60/ft.	1,680.00
Reaming & setting casing	-	200 feet	@	2.60/ft.	520.00
Cementing & drilling cement	-	100 feet	@	2.60/ft.	260.00
Core boxes	-	20	@	5.00/ea.	100.00
Assays	-	150	@	2.00/ea.	300.00
Incidental allowance	-	800 feet	@	0.60/ft.	480.00
Total					$6,265.00

ESTIMATED COST OF PROJECT

Stage I

Diamond drilling, BX size	- 1,360 ft.	@	$5.85/ft.	$ 7,956.00
" " AX size	- 300 ft.	@	5.60/ft.	1,680.00
Reaming and setting casing	- 300 ft.	@	2.60/ft.	780.00
Cementing and drilling cement	- 150 ft.	@	2.60/ft.	390.00
6 diamond drill stations	- 60 ft.	@	30.00/ft.	1,800.00
Incidental allowance	- 1,660 ft.	@	0.60/ft.	996.00
Assays for mercury	- 300	@	2.00/ea.	600.00
Core boxes	- 42	@	5.00/ea.	210.00
Total diamond drilling				$14,412.00
Drifting and crosscutting	- 2,510 ft.	@	30.00/ft.	75,300.00
Assays for mercury	- 400	@	2.00/ea.	800.00
Timbering	- 1,760 ft.	@	6.00/ft.	10,560.00
Total drifting and crosscutting				$86,660.00
Total cost of Stage I				$101,072.00

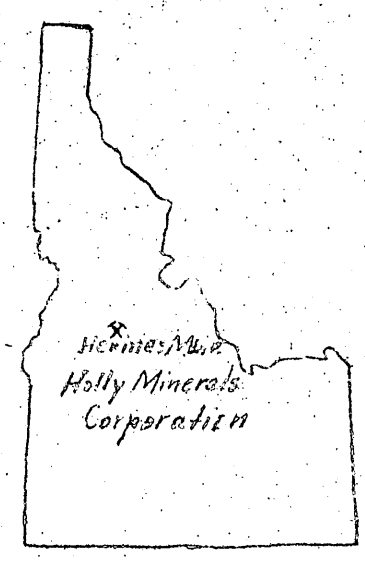
Stage II

Diamond drilling, BX size	- 500 ft.	@	$5.85/ft.	$ 2,925.00
" " AX size	- 300 ft.	@	5.60/ft.	1,680.00
Reaming and setting casing	- 200 ft.	@	2.60/ft.	520.00
Cementing and drilling cement	- 100 ft.	@	2.60/ft.	260.00
Incidental allowance	- 800 ft.	@	0.60/ft.	480.00
Core boxes	- 20	@	5.00/ea.	100.00
Assays for mercury	- 150	@	2.00/ea.	300.00
Total cost of Stage II				$6,265.00
Total cost of project				$107,337.00
Government participation @ 75%				80,502.75

Enclosures

Distribution:
- **DMEA (3)**
- **USBM (5)**
- **USGS (SRO)**
- **Docket**
- **Albee**

DME-A 4753



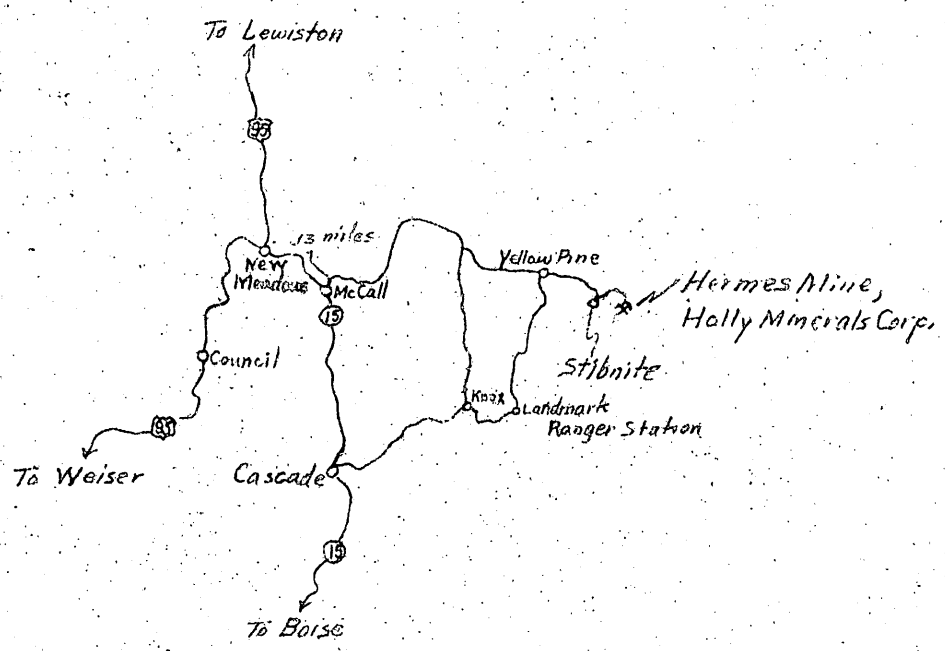
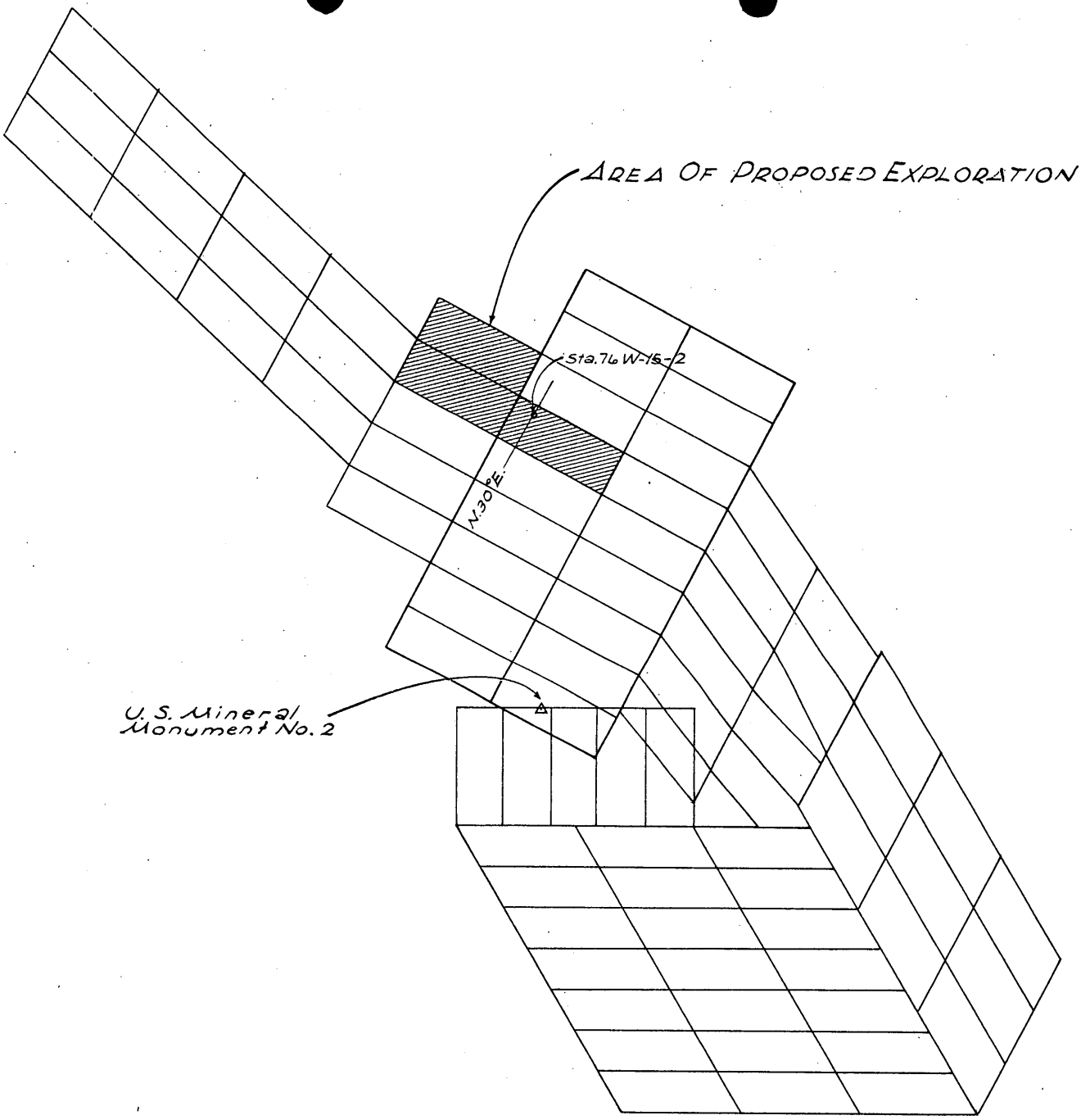


Figure 1. Location map, Hermes mine, Holly Minerals Corporation, Valley County, Idaho



CLAIM MAP

HOLLY CORPORATION

VALLEY COUNTY, IDAHO

SCALE 1:24000

2000 0 2000 4000 Feet

H. F. ALBEE

AUGUST 1957

FIGURE 2

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY
DMEA
RECEIVED SEP 26 1957

DATE	INITIALS	CODE
9/26	C	220
9/26	WSM	400

September 20, 1957

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

Re: Docket No. DMEA-4753 (Mercury)
Holly Corporation
Hermes Mercury Mine
Valley County, Idaho

Dear Mr. Selfridge:

Enclosed are two copies each of four bids received from the Holly Corporation in connection with their proposed diamond drilling program at the Hermes Mercury Mine.

Sincerely yours,

A. E. Weissenborn

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

Enclosures

cc: USBM (2)
Albee

RECEIVED
BUREAU OF MINES
AUG 16 1957
SPOKANE, WASH.

HOLLY CORPORATION

P. O. Box 68
STIBNITE, IDAHO

August 12, 1957.

Mr. Galen Wardell,
U. S. Dept. of the Interior
Bureau of Mines,
1201 N. Division St.,
Spokane 2, Wn.

Dear Mr. Wardell:

Enclosed are three (3) bids for the proposed diamond drilling at the Hermes Mine (mercury).

Michels & Hodgson have done contract drilling at the property with very satisfactory results. We found that a screw feed and drill did not get the required results. On the other hand, with a hydraulic drill our footage increased ten feet per shift, with a 60% better core recovery.

We are sorry for the delay in sending you these bids.

Sincerely yours,

J. C. Brassfield

J. C. Brassfield, Jr.

JB/j

OFFICIAL FILE COPY
DMEA
RECEIVED SEP 26 1957

DATE	INITIALS	CODE

DAVE ALLEN
Box 26
Cascade, Idaho

August 6, 1957

Holly Minerals Corp.,
Box 63
Stibnite, Idaho

Gentlemen:

Confirming our conversation with your representative at the Cinnabar Mine, we submit the following bid on underground drilling to be done at the Cinnabar mine:

Mobilization charge in and out	$250.00
For eight hour shift This includes one hydraulic drill with driller and helper and all bits. Breakdowns in excess of 3 hours will not be charged to you.	112.00

Yours truly,

Dave Allen

Dave Allen

OFFICIAL FILE COPY
D M E A
RECEIVED SEP 26 1957

DATE	MINING	COST

Diamond Core Drilling
Mining
Quarries
Shaft Sinking
Tunnel Driving

Boyles Bros.
DRILLING COMPANY

CONTRACTORS - ENGINEERS - GEOLOGISTS
General Offices
1321 South Main Street Phone HUnter 4-4401
SALT LAKE CITY 15, UTAH

OFFICIAL FILE COPY
D M E A
RECEIVED SEP 26 1957
DATE | INITIALS | COMMENTS

August 8, 1957

Reply to: S. L. C.

Holly Minerals Corporation
P. O. Box 63
Stibnite, Idaho

Gentlemen:

In compliance with the request of our representative, Mr. O. C. Bouquot, we would like to submit the following quotations for your consideration.

At present, our hydraulic drills are committed to extensive projects, however we feel that we can accomplish satisfactory results with our special core barrels and screw feed machine with fast gears.

For drilling a minimum of 3,000 feet with holes averaging 200 feet in depth, we quote the following prices.

	AX	BX
1. Drilling Rates 0 to 200 feet	$5.60	$5.85

2. Reaming, if required, $2.60 per foot.

3. Lost Casing will be charged for at list price, f.o.b., job site.

4. Surveying or delays ordered by the company will be charged at the rate of $8.60 per hour.

5. Cementing of the hole, if required, will be $8.60 per hour, plus the cost of cement or cement substitutes.

We submit the follwoing alternate quotation on a shift rate basis.

1. Drilling Rate: $55.00 per 8 hour shift, plus $2.00 per foot. An example of how this method works out to our mutual benefit, we have listed the following scale.

   $55.00 per shift, plus $2.00 per foot

   15 feet per shift - $85.00 or $5.66 per foot.
   18 feet per shift - $91.00 or $5.05 per foot.
   20 feet per shift - $95.00 or $4.75 per foot.

   We estimate the average shift to be about fifteen feet.

2. Reaming, if required, will be shift rate, plus $1.00 per foot.

3. Cementing, if required, will be shift rate, plus cost of cement or cement substitute.

4. Surveying or delays ordered by the Company will be at the shift rate.

5. Lost Casing will be charged for at list price, f.o.b. job site.

If the foregoing prices prove interesting and we should be favored with your business, we would appreciate being notified of your decision at your earliest convenience, so that we can make the necessary arrangements for mobilization.

Very truly yours,

Wm. D. West

Wm. D. West

cc: Mr. O. C. Bouquot
Spokane, Washington

OFFICIAL FILE COPY
DMEA

Diamond Drilling Contractor

PHONE 4-1464

505 SOUTH 16TH BOISE, IDAHO P. O. BOX 2057

July 29, 1957

Holly Minerals Corp.,
Box 63
Stibnite, Idaho

Gentlemen:

Confirming our recent telephone conversation with your Mr. Brassfield, we are hereby submitting the following drilling quotation for the proposed underground drilling at the Cinnabar Mine:

1. Mobilization: Lump sum $250.00

2. Setting up drill, drilling, casing, reaming, cementing, fishing for lost tools, tearing down and moving from drill station to drill station, per eight hour shift $102.00

   Under this item, we will furnish one underground hydraulic diamond drill with all the necessary drilling equipment, including diamond bits and shells, diamond driller and helper. It is understood that you will furnish the air and water to the drill site and will prepare the drill stations.

3. You will reimburse us at our cost for any casing unavoidably left in the drill hole.

4. Any one break-down in excess of two (2) hours will be borne by us.

It is further understood that these prices shall remain in effect if the drilling is commenced within the current calendar year.

We wish to thank you for this opportunity to be of further service to you. Your signature of acceptance on the space provided below is sufficient in lieu of formal contract.

Yours truly,

NICHOLS & THOMPSON CORE DRILLING CO.INC.

By Donald F Nichols
Donald F Nichols, Assistant Manager

HOLLY MINERALS CORP.

By_____

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
6/13	CJM	100
		225

JUN 14 1957

Holly Corporation
340 Third Street, N.W.
P. O. Box 1509
Albuquerque, New Mexico

Re: Docket No. DMEA 4753 - Mercury
Holly Corporation
Hermes Mercury Mine
Valley County, Idaho

Gentlemen:

The above-docketed application for exploration assistance for mercury ores had been reviewed by the Washington office of the Defense Minerals Exploration Administration and referred to Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region I, Northwest District, South 157 Howard Street, Spokane 4, Washington, for a field examination of the property.

Any assistance that you can give the members of the Field Team will be appreciated.

Sincerely yours,

C. O. Mittendorf (for)

Administrator

SPHolt/dlm 6-11-57
cc to: Docket
Code 400
Admr. R. File
Oper. Comm.
FT Reg. I - NW Dist.
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

(Orig., file copy, and FT copies retyped by fw because of division in proper name.)

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
6-1(	Holt	400
6-1(	Martin	400
6/12	[illegible]	130
6/12	[illegible]	130
6/12	Kilsgaard	130
6/12	Johnson	110
		100
		220

Holly Corporation
340 Third Street, N. W.,
P. O. Box 1509
Albuquerque, New Mexico

Re: Docket No. DMEA 4753 - Mercury
Holly Corporation
Hermes Mercury mine
Valley County, Idaho

Gentlemen:

The above-docketed application for exploration assistance for mercury ores has been reviewed by the Washington office of the Defense Minerals Exploration Administration and referred to Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region I, Northwest District, South 157 Howard Street, Spokane 4, Washington, for a field examination of the property. [Referred to Field Team division]

Any assistance that you can give the members of the Field Team will be appreciated.

Sincerely yours,

Administrator

SPHolt/dlm 6-11-57
cc to: Docket
Code 400
Admr. R. File
Oper. Comm.
FT. Reg. I - NW Dist.
Messrs. J. W. Pennington., USBM
T. H. Kiilsgaard, USGS

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
6-11	Holt	400
6-11	Martin	400
6/12	GCS	130
		400
6/12	Johnson	110
13	Pattersdorf	100
6/14	C	220

JUN 14 1957

Mr. A. E. Weissenborn, Executive Officer
DMEA Field Team, Region I, N. W. District
South 157 Howard Street,
Spokane, 4, Washington

Re: Docket No. DMEA 4753 - Mercury
Holly Corporation
Hermes Mercury mine
Valley County, Idaho

Dear Mr. Weissenborn:

The above-docketed application for exploration assistance is being referred to your office for a field examination of the property.

Copies of memoranda dated June 5, 1957, by N. E. Nelson, Geological Survey, and J. W. Pennington, Bureau of Mines, relating to the application, are enclosed. Also enclosed is an extra copy of the application for the use of the Field Team.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (SPB)

APPROVED:

Frank D. Lamb (SPB)
Member, Bureau of Mines

Thor H. Kiilsgaard (SPB)
Member, Geological Survey

SPHolt/dlm 6-11-57
cc to : Docket
Code 400
Admr. R. File
Oper. Comm.
FT. Reg I -NW Dist.
Messrs J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Enclosures

8623

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

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 5 1957

DATE	INITIALS	CODE
6/5	C	220
6/6	WSM	400
	June 5,	1957

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

From: Assistant Chief, Branch of Base Metals

Subject: Review of Application, Docket No. DMEA-4753 (Mercury), Holly Corporation, Hermes Mercury Mine, Valley County, Idaho, $110,692.89.

The applicant proposes to explore for a possible western extension of the mercury ore from the presently known ore body by 1,455 feet of access and haulage drift and 1,655 feet of exploration crosscuts at a total estimated cost of $110,692.89.

To evaluate this program, I believe that a field examination is warranted. Perhaps a modified or staged program would be preferable to the extensive one proposed.

I recommend that the application be referred to the Field Team.

The application is returned herewith.

J. W. Pennington

Attachment
Copy to: Division of Minerals
Branch of Base Metals (2)
Thor Kiilsgaard, U. S.G.S.
F. D. Lamb
Files

IN REPLY REFER TO:

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

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 6 1957

DATE	INITIALS	CODE
6/6	JWH	220
6/7	WSM	400

June 5, 1957

Re: DMEA 4753
Holly Corporation
Hermes Mine
Valley County, Ida.
$110,692.89 -
Mercury

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

From: N. E. Nelson, U. S. Geological Survey

Subject: Review of application.

The applicant requests assistance in exploring the westerly extension of a mercury-bearing altered dolomitic limestone zone by 3,100 feet of drifting and crosscutting. The zone has been extensively mined and prospected for over 2,100 feet and is credited with the production of 10,000 flasks of mercury. The reserves are estimated to be:

137,130 tons at 6 pounds/ton = 10,800 flasks

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
WASHINGTON 25, D. C.

May 31, 1957

Holly Corporation,
340 Third Street, N.W.,
P.O. Box 1509,
Albuquerque, New Mexico

Subject: DMEA 4753

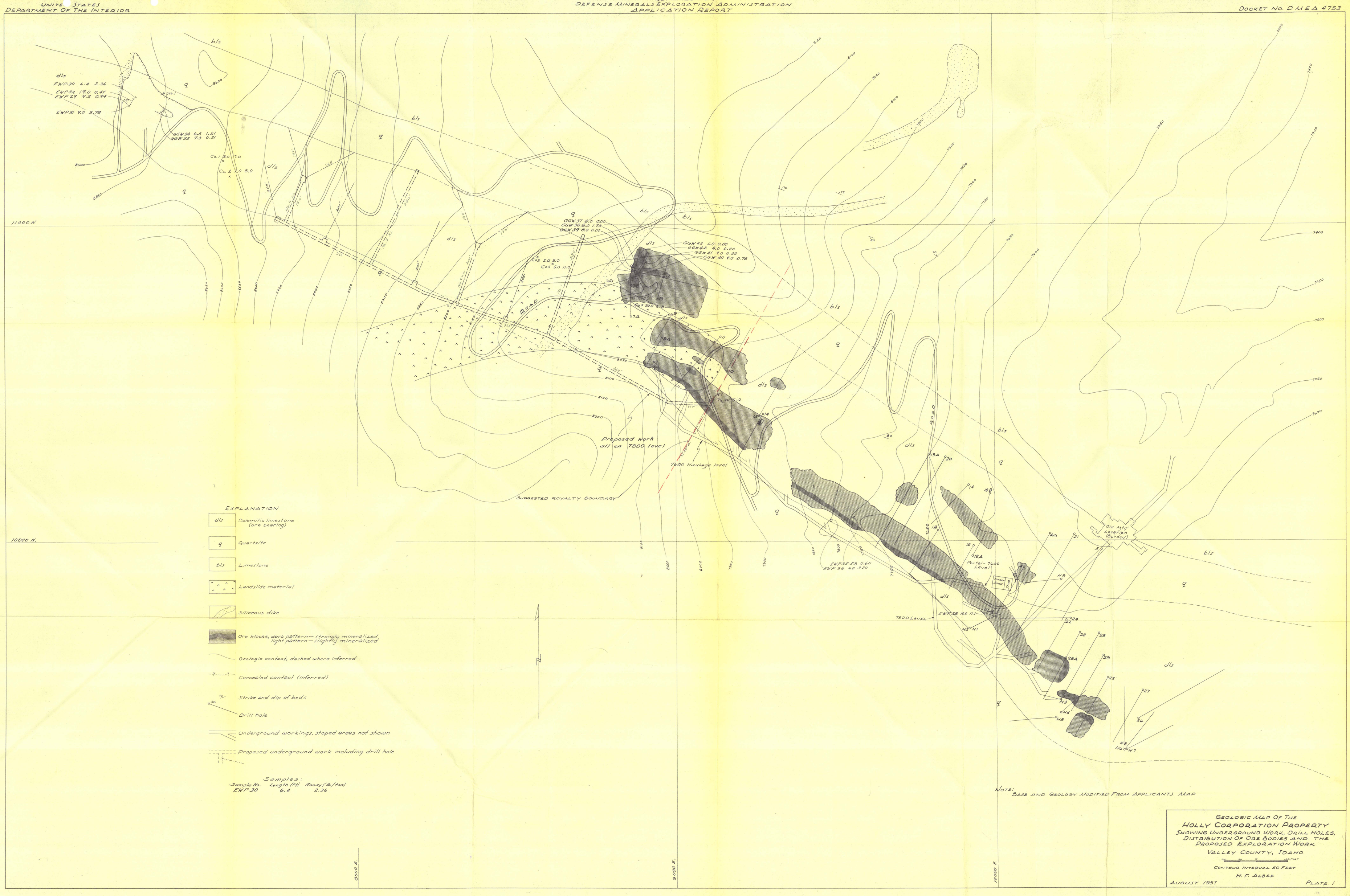
Gentelmen:

Your application for exploration assistance, dated May 15, 1957, submitted to our office at Spokane, Washington, has been assigned Docket Number DMEA 4753 and referred to the Iron and Ferro-Alloys 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: Region I-NW



GEOLOGIC MAP OF THE
HOLLY CORPORATION PROPERTY
SHOWING UNDERGROUND WORK, DRILL HOLES, DISTRIBUTION OF ORE BODIES AND THE PROPOSED EXPLORATION WORK
VALLEY COUNTY, IDAHO

CONTOUR INTERVAL 50 FEET

H. F. ALBEE

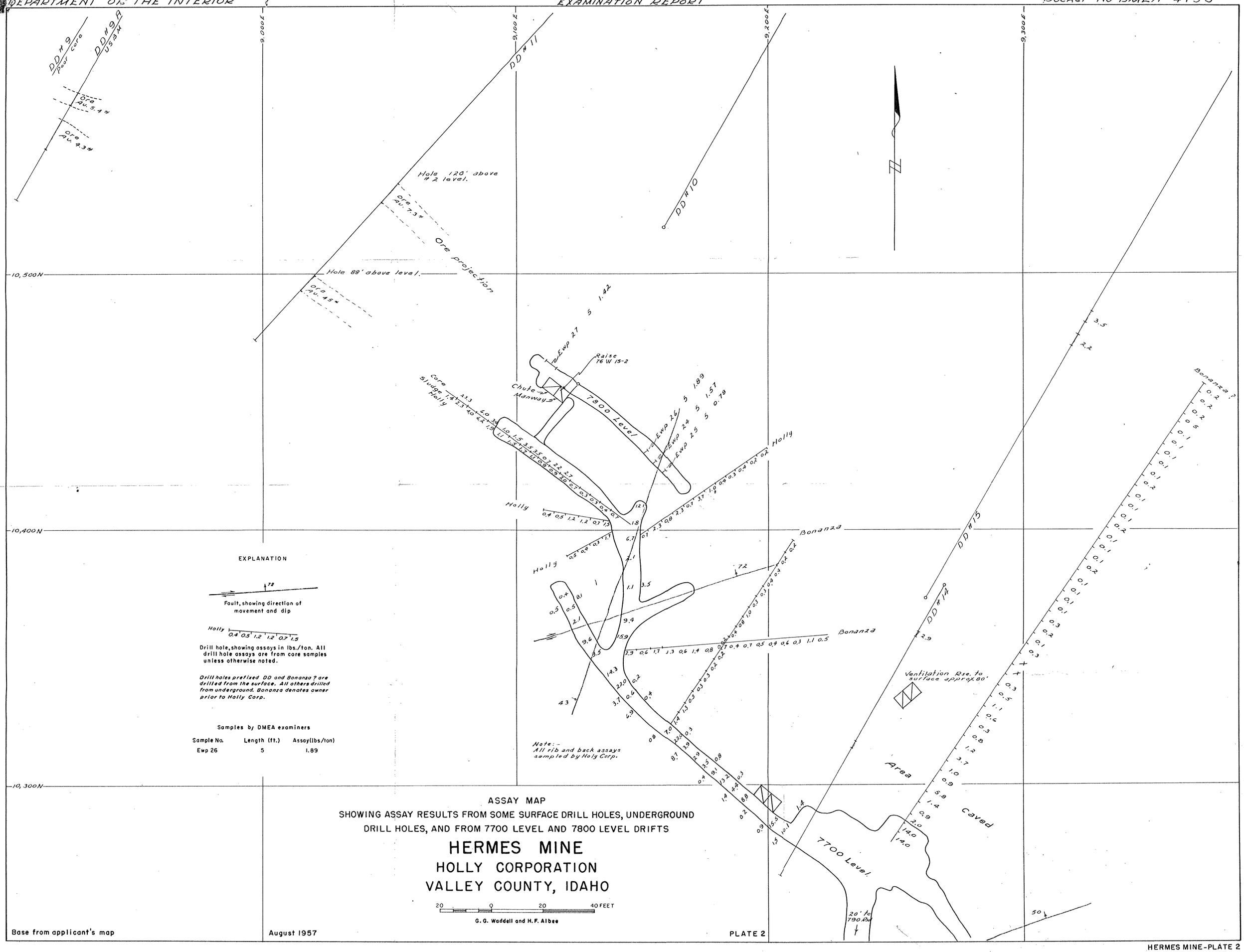
AUGUST 1957

PLATE 1

UNITED STATES
DEPARTMENT OF THE INTERIOR

PREPARED FOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXAMINATION REPORT

Docket No DMEA 4753



ASSAY MAP
SHOWING ASSAY RESULTS FROM SOME SURFACE DRILL HOLES, UNDERGROUND DRILL HOLES, AND FROM 7700 LEVEL AND 7800 LEVEL DRIFTS

HERMES MINE
HOLLY CORPORATION
VALLEY COUNTY, IDAHO

G. G. Waddell and H. F. Albee

Base from applicant's map

August 1957

PLATE 2

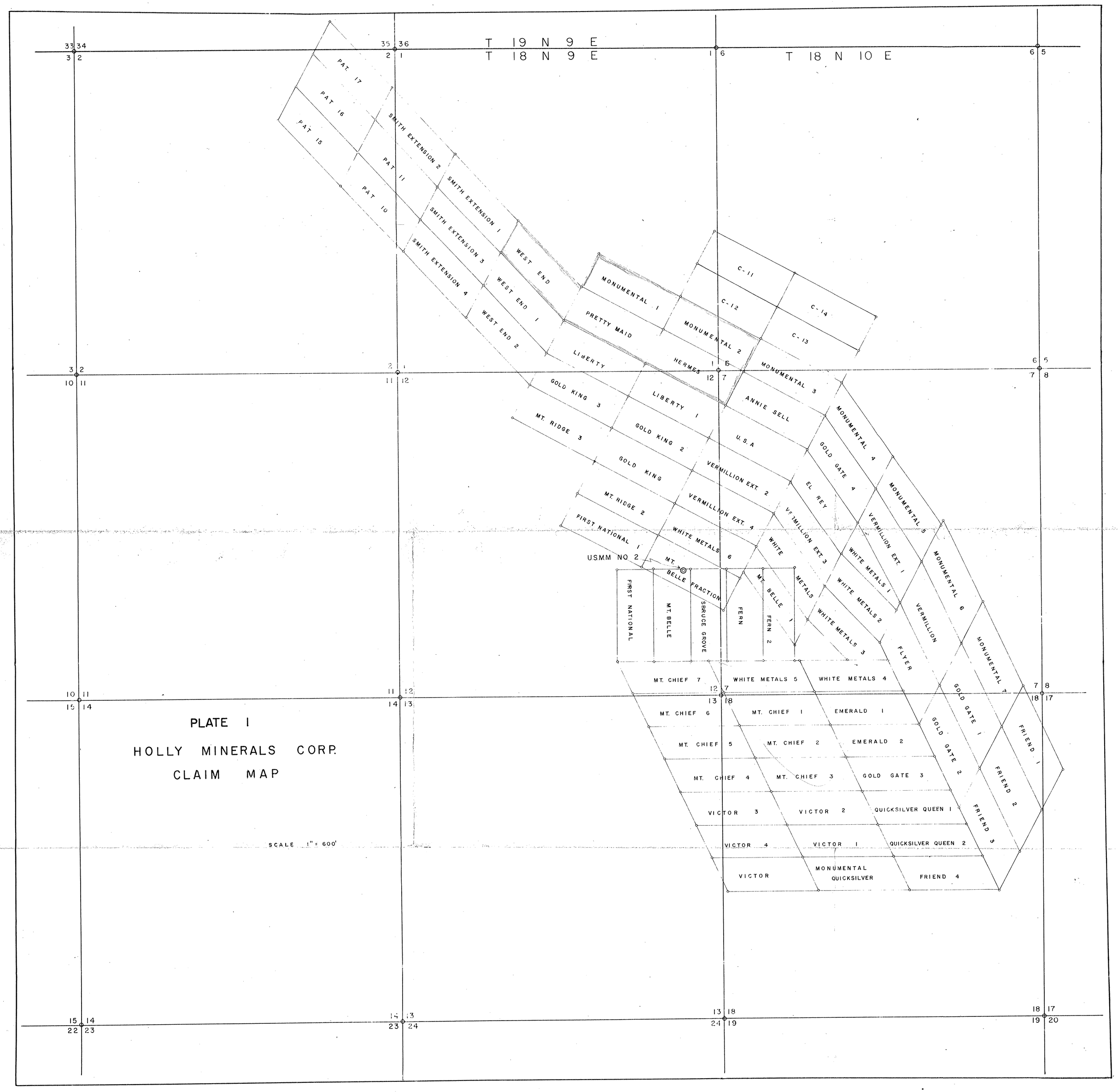


PLATE I

HOLLY MINERALS CORP.

CLAIM MAP

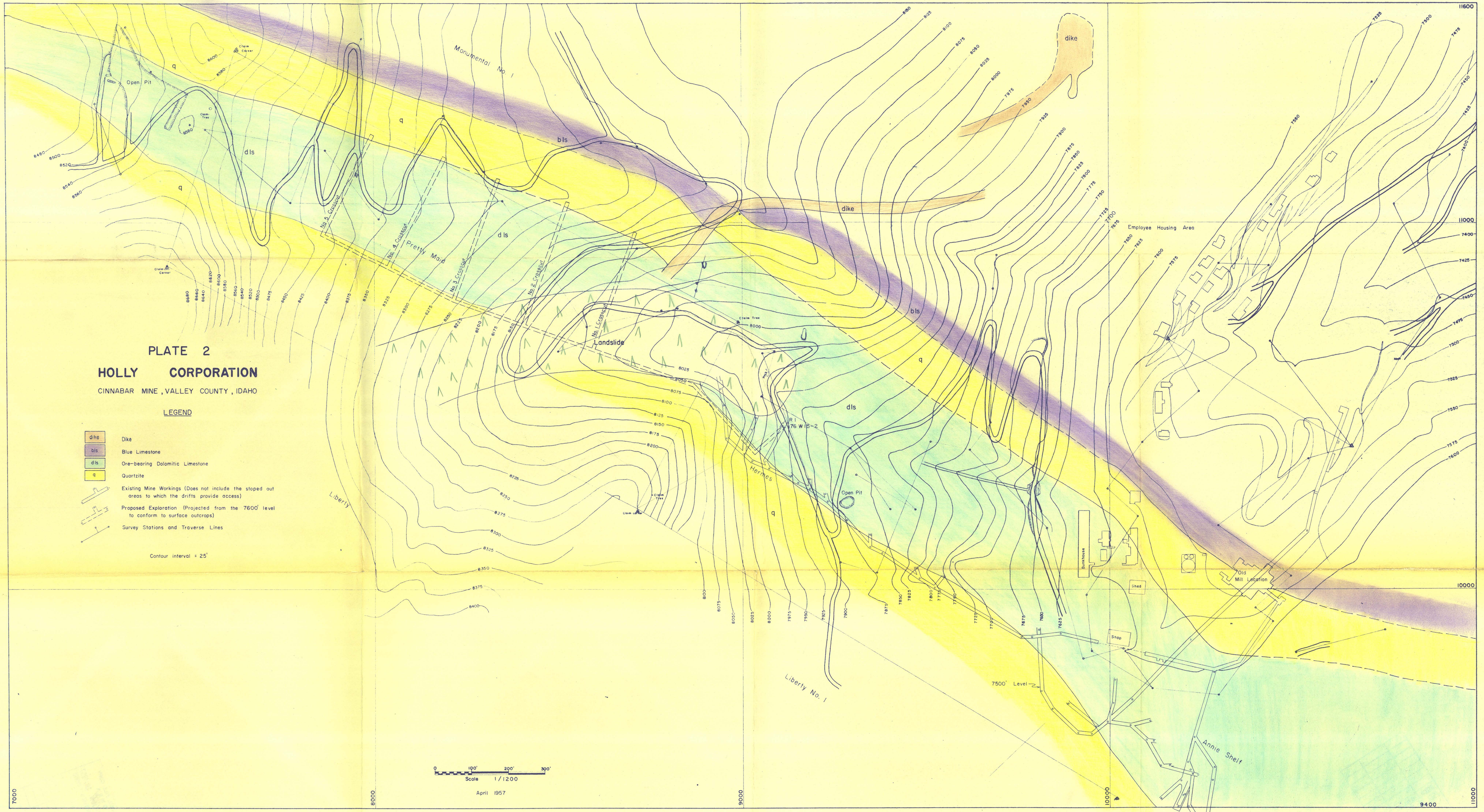


PLATE 2
HOLLY CORPORATION
CINNABAR MINE, VALLEY COUNTY, IDAHO
LEGEND
dike Dike
bls Blue Limestone
dls Ore-bearing Dolomitic Limestone
q Quartzite
Existing Mine Workings (Does not include the stoped out areas to which the drifts provide access)
Proposed Exploration (Projected from the 7600' level to conform to surface outcrops)
Survey Stations and Traverse Lines
Contour interval = 25'
Scale 1/1200
April 1957
Monumental No. 1
Pretty Maid
Liberty
Liberty No. 1
Hermes
Landslide
Open Pit
Employee Housing Area
Old Mill Location
Annie Shelf
7500' Level
Bunkhouse
Shed
Shop
dike
bls
dls
q
No. 5 Crosscut
No. 4 Crosscut
No. 3 Crosscut
No. 2 Crosscut
No. 1 Crosscut
Claim Corner
Claim Tree
RI 76 W 15-2
7000
8000
9000
10000
11000
9400
11600

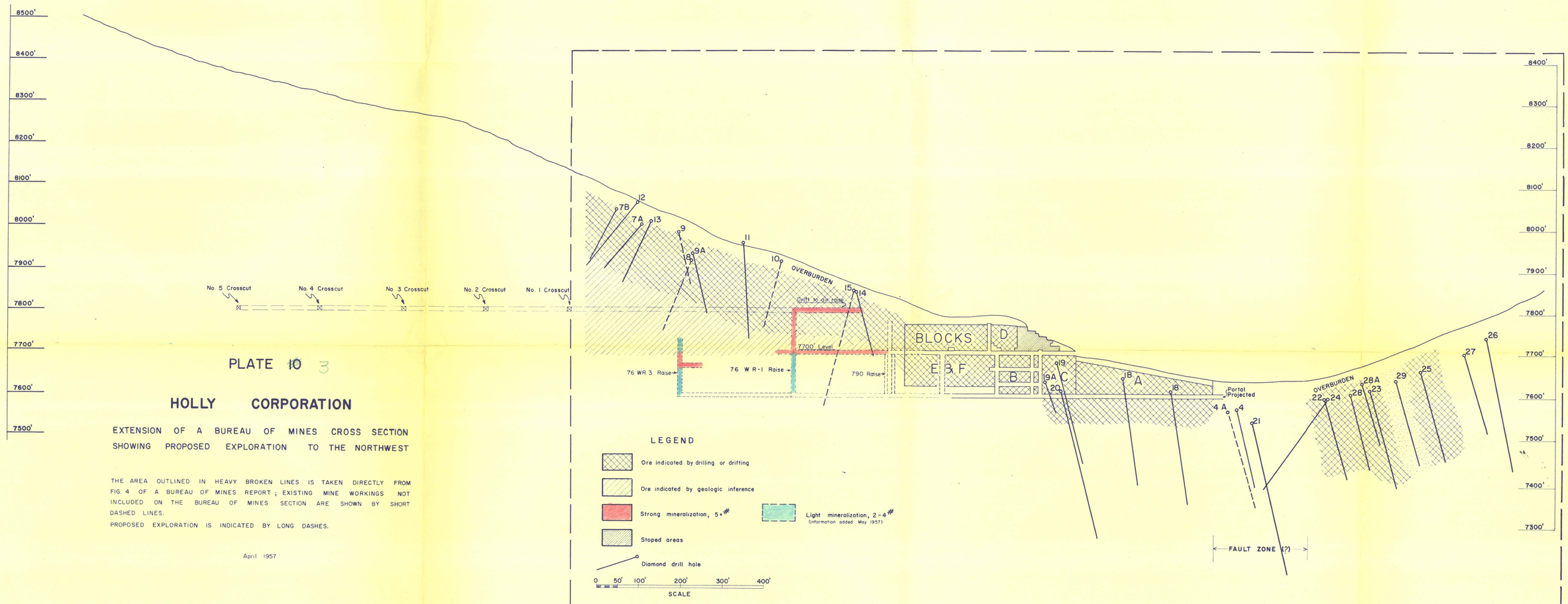


PLATE ~~10~~ 3

HOLLY CORPORATION

EXTENSION OF A BUREAU OF MINES CROSS SECTION SHOWING PROPOSED EXPLORATION TO THE NORTHWEST

THE AREA OUTLINED IN HEAVY BROKEN LINES IS TAKEN DIRECTLY FROM FIG. 4 OF A BUREAU OF MINES REPORT ; EXISTING MINE WORKINGS NOT INCLUDED ON THE BUREAU OF MINES SECTION ARE SHOWN BY SHORT DASHED LINES.

PROPOSED EXPLORATION IS INDICATED BY LONG DASHES.

April 1957

FIG. 4,-LONGITUDINAL PROJECTION, HERMES ORE BODIES, BONANZA MINE, YELLOW PINE MINING DISTRICT, VALLEY COUNTY, IDAHO.

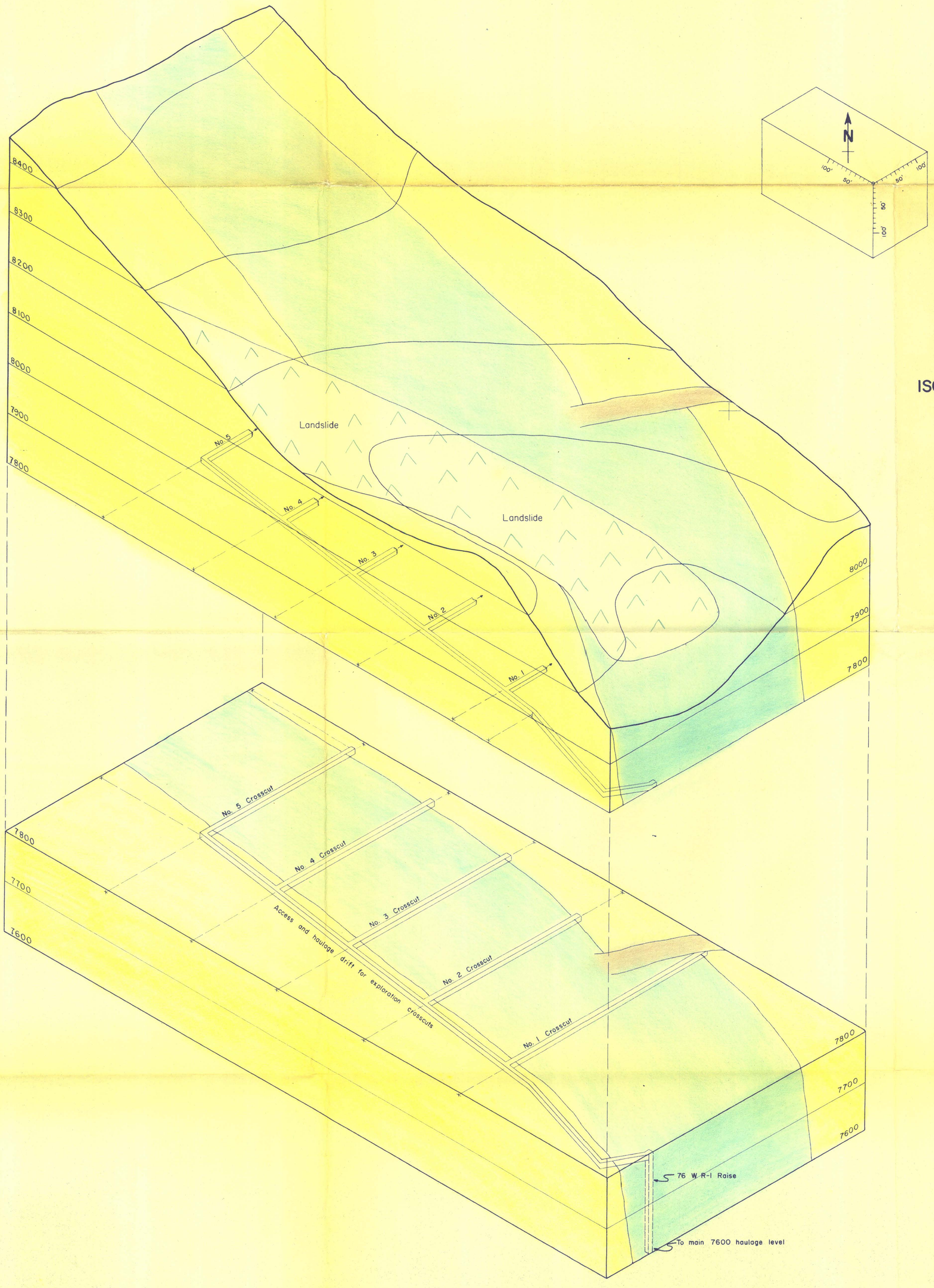


PLATE 4

HOLLY CORPORATION

CINNABAR MINE - VALLEY COUNTY, IDAHO

ISOMETRIC DIAGRAM OF THE PROPOSED EXPLORATION OF THE 7800 FOOT LEVEL

APRIL 1957

LEGEND

- Blue Limestone
- Ore-bearing Dolomitic Limestone
- Quartzite
- Dike

- Locates the intersection of coordinates 11,000 N. and 9,000 E
- Mine workings, projected to the sides of the block to show position
- Existing workings
- Proposed exploration