DMEA Form 9
Rev. 6/57

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration

OFFICIAL DOCKET FILE 23 JUN 1958 Idm [illegible] DMEA NO. 4993

1217

Application
- [ ] Denied
- [ ] Withdrawn

Contract
- [ ] Terminated - Not Certified
- [ ] Terminated - Certified

- [x] Cancelled
- [ ] Royalty Agreement

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

Folder No. 1:

Left Side

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

Right Side

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

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

- [ ] Field Team Semi-Annual Report for Certified Project
- [ ] 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

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

Right Side

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

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

Folders No._____: Settlement Sheets

Folders No._____: Drill Logs

Folders No._____: Royalty material

RECEIVED
JUL 17 1958
D.M.E.A.

BOISE, IDAHO
JUN 27 1958
WESTSIDE BR.

Government's copy

MF-200
(Revised June 1954)

Docket No. DMEA 4993

Commodity Mercury

Contract No. Idm-E 1217

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

EXPLORATION PROJECT CONTRACT[1]

It is agreed this 23 JUN 1958 day of ....., 195...., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] T. R. Baugh, an individual

.....

.....

....., whose mailing address is 3620 Sycamore Drive, Boise, Idaho

....., 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 one map.

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

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

(b) The Operator represents and undertakes that:

(1) The Operator is the [4] Lessee of [5] See Annex I in the land, in possession and entitled to possession for all of the purposes of this contract, under and by virtue of a [6] lease, [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: Interests of Lessors

.....

.....

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

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Lien and Subordination Agreement of Lessors

(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 August 1, 1958 shall commence the work, and on or before December 31, 1958 (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall either have completed the work or shall have incurred allowable costs (see Article 6) in a sum not less than the estimated total allowable cost set forth in Exhibit "A."

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

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

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

ARTICLE 5. *Contribution by the Government.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $21,720.00. The Government shall contribute 50 percent of the allowable costs as they are incurred in a total sum not in excess of $10,860.00: *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 ~~8~~ 8. See Article 13.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 13. *Changes and added provisions.*—

1. In Article 6(c) the words "Article 9" are changed to "Article 8."
2. Notwithstanding any other provisions of the Contract, the allowable unit cost per foot of a drilling item is the average unit cost per foot computed on the basis of all the actual unit costs of said drilling item incurred by the Operator: Provided, That the Government will not contribute to any portion of an average unit cost of a drilling item that exceeds the estimated unit cost of said item set forth in the Contract.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O P Mitterdorf
Administrator, Defense Minerals
Exploration Administration

T. R. BAUGH
(Operator)

By T. R. Baugh

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—70017-1

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35485

EXPLORATION PROJECT CONTRACT
T. R. BAUGH
DOCKET NO. DMEA-4993

ANNEX I

The land referred to in Article 2 of the contract consists of six patented lode mining claims situate in sections 7 and 12, T. 18 N., Rs. 9 and 10 E., Valley County, Idaho. The land is shown on the map entitled "Plate 1, Geologic Map of the Fern group showing proposed drill hole locations, T. R. Baugh, Valley County, Idaho."

The following patented claims are all included in United States of America Patent Mineral Survey No. 3020, on file in the Public Land Office, Boise, Idaho, said survey being by reference incorporated herein:

Fern	Spruce Grove
Fern No. 2	Buck's Bed
Fern No. 4	Buck's Bed No. 1

The Operator is in possession of the claims pursuant to the provisions of a "Mining Lease and Option" and an "Amendment to Mining Lease and Option", dated October 1, 1956, and October 16, 1957, respectively from George Warberg and Robert Warberg.

A Consent to Lien and Subordination Agreement, dated May 22, 1958, signed by George W. Warberg and Ethel S. Warberg, and Robert M. Warberg and Zelma A. Warberg, is attached and made a part hereof.

MF-205
(Combines and supercedes MF-201 and MF-203)
June 1956

Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator T. R. Baugh
Docket No. DMEA- 4993
Contract No. Idm-E 1217
Contract Date 23 JUN 1958

RECEIVED
MAY 28

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of Valley, State of Idaho, described ~~as follows~~ 2/ in a deed dated 24th of May, 1955 and recorded in Book 30 of Deeds on page 536 official records of said County.

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

(a) Mining lease and option to T. R. Baugh dated October 1, 1956, Amended October 16, 1957, covering all of said land. (b) and taxes for 1957 not yet billed.

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

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

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: none (State "None" or "See Annex No.____")

Dated this 22nd. day of May, 1958.

Geo. W. Warberg	[Seal]	Twin Falls, Idaho	[Address]
x Ethel S. Warberg	[Seal]	Twin Falls, Idaho	[Address]
Robt M. Warberg	[Seal]	Twin Falls, Idaho	[Address]
Zelma A. Warberg	[Seal]	Twin Falls, Idaho	[Address]
	[Seal]		[Address]
	[Seal]		[Address]

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

_____

[Corporate Seal]

EXPLORATION PROJECT CONTRACT
T. R. BAUGH
DOCKET NO. DMEA-4993

EXHIBIT "A"

Description of the Work

The proposed work on the project shall consist of preparing access roads and drill sites and diamond drilling. All work shall have prior approval of the Government. All bulldozer work shall be performed with a D-7 Caterpillar bulldozer or equivalent size unit of another make. All drilling shall be with not less than AX size bits.

Prepare access roads and drill sites and diamond drill nine holes, to approximate depths of from 200 to 300 feet per hole, aggregating not to exceed 2,500 feet. The approximate location of the drill holes are indicated on Plate 1, but exact locations, course and inclinations shall have the prior approval of the Government. Depths shall be dependent on the geological structure and the mineralization. The drill holes shall be cemented and redrilled or reamed and cased as necessary.

It is estimated that 2,500 feet of access road will be required. Not to exceed 64 hours of bulldozer time will be allowed for the preparation of the access road and drill sites.

Diamond drill cores or sections of cores shall be stored in wooden core boxes.

Mineralized zones in diamond drill holes shall be sampled and assayed for mercury.

An engineer-supervisor shall oversee the work, map location of holes and hole geology and sample cores from mineralized zones.

Estimated Costs of the Project

Actual Costs

Category (1) Independent Contracts		
Bulldoze access roads and drill sites, 64 hours @ $15.00/hr.	$ 960.00	
Transportation of bulldozer	200.00	
		$ 1,160.00
Diamond drilling, 2,500 feet @ $6.00/ft.	15,000.00	
Cementing and redrilling or reaming and casing, 500 feet @ $3.00/ft.	1,500.00	
Transportation of equipment	100.00	
		16,600.00
Category (2) Personal Services		
Engineer-Supervisor, 4 months @ $600.00/mo.		2,400.00
Category (3) Operating Material and Supplies		
75 core boxes, wooden @ $4.00/each		300.00
Category (4) Operating Equipment		
Rental. 1 pick-up truck or jeep, 4 months @ $150.00/mo. (includes gas, oil, repairs.)		600.00
Purchases	None	
Depreciation	None	
Category (5) Initial Rehabilitation and Repairs		None
Category (6) New Buildings, Fixtures and Installations		
Core box racks		100.00
Category (7) Miscellaneous		
Assaying, 50 samples for mercury @ $4.00/each. Includes transportation.	200.00	

Compensation, Social Security, Insurance, $2,400 @ 15 percent	360.00	
		560.00
Estimated Total Cost of Project		$21,720.00
Government Participation, 50%		$10,860.00

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

April 23, 1958

DMEA
APR 28 1958
WSM

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

Re: New application (Mercury)
T. R. Baugh
Fern Cinnabar Group
Valley County, Idaho

Dear Mr. Selfridge:

Enclosed are the original and two copies of an application submitted by T. R. Baugh for Government aid to explore for mercury on the Fern Cinnabar Group, Valley County, Idaho. The estimated cost of the project is $19,660. Also enclosed is one copy of a Mining Lease and Option dated October 1, 1956 and amended October 16, 1957, between George Warberg and Robert Warberg, and T. R. Baugh.

Only two copies (attached) of the Consent to Lien and Subordination Agreement were received. The Consent to Lien is signed by George Warberg and Robert Warberg. Will the wives of George and Robert Warberg be required to sign the consent? They have signed the Mining Lease and Option Agreement.

Sincerely yours,

D. H. Macharen
for A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I

Enclosures

cc: USBM (2)
Alvord

P. S. An examination of the property will be attempted the week of April 28, 1958.

COPY COPY

3620 Sycamore Drive
Boise, Idaho
April 21, 1958

United States Department of the Interior
Defense Minerals Exploration Administration
So. 157 Howard Street
Spokane 4, Washington

Re: Fern Cinnabar Group
Att: A. E. Weissenborn

Dear Mr. Weissenborn:

You will find enclosed herewith executed Application Form MF-103 covering a proposed drilling program on the Fern Cinnabar Group located in Valley County, Idaho.

Ernest Oberbillig, mining engineer, has outlined a drilling and exploration program which I feel is reasonable. However, inasmuch as he made no recommendation for drilling or exploration along the contacts between the quartzite and the lime, perhaps his proposal is too confining to fairly prove the property. I am submitting the application in an effort to get the ball rolling, so to speak, but would like to leave the program somewhat flexible in order that I may be able to take advantage of the recommendations the DMEA geologists and engineers may make. After their examination a final program could be worked out in cooperation with my engineers.

May I hear from you soon?

Very truly yours,

/s/ T. R. Baugh

T. R. BAUGH

TRB/m
Encls.

Form MF–103
Revised Feb. 1957

UNITED STATES
DEPARTMENT OF THE INTERIOR

Budget Bureau No. 42–R1035.3
Approval expires June 30, 1958

DEFENSE MINERALS EXPLORATION ADMINISTRATION

APPLICATION FOR AID IN AN EXPLORATION PROJECT

PURSUANT TO DMEA ORDER I, UNDER THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

NAME OF APPLICANT (Full legal name and mailing address as it should appear on contract if one is executed)

T. R. Baugh
3620 Sycamore Drive
Boise, Idaho

RECEIVED
APR 23 1958
U. S. G. S.
SPOKANE, WASH.

APPLICANT NOT TO USE THIS BLOCK

Docket Number: DMEA-4993
Date Received: 4-28-58
Government Participation %:
Region: 1
Division Code: 400

BUSINESS ORGANIZATION (Check one)

- Individual [x]
- Corporation [ ]
- Partnership [ ]
- Other (Specify) [ ]

State in which firm is organized:

LIST CORPORATE OFFICERS OR PARTNERS HERE, IF APPLICABLE

Name	Address	Title

Mineral(s) for which you wish to explore: Mercury

Estimated Cost of Project: $19,660.00

LOCATION OF PROPERTY

Name	County	State
Fern Cinnabar Group	Valley	Idaho

GENERAL INSTRUCTIONS

Before filling out this application, please read DMEA Order–I, Amended, "Government Aid in Defense Exploration Projects." To assure prompt action, your application must provide all applicable material and information specified on the back of this application form. Avoid unnecessary correspondence and delays by submitting complete and accurate information. *Please submit four copies of this application and all accompanying papers* except as otherwise noted. Place your name and address on each sheet. Each item of information, maps, and reports required as a part of this application is described on the back of this form. Identify each attached statement by the item number to which it applies. If an item does not apply to your application, show the item number on your statement and after it write "not applicable." Maps or sketches should be used to supplement narrative descriptions of the property location and boundaries in item 1, existing mine workings and geology in item 2, and the proposed exploration project in item 4. When this information is not too complex, all of it may be shown on one map or sketch. All documents and other attachments submitted as a part of this application, except those in item 2(g) which you mark to be returned, become the property of the Government and will not be returned to the applicant. Send true copies, *not originals*, of leases, contracts, and other documents which are an essential part of your business records. *File this application with the Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C., or with the nearest DMEA Field Office.*

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.

April 20, 1958
Dated

BY *(Signature)* T. R. Baugh

Title

A wilfully false statement or certification to any Department or Agency of the United States Government is a criminal offense. U. S. Code, Title 18, Sec. 1001.

INFORMATION REQUIRED WITH THIS APPLICATION

1. *Applicant's Property Rights:*

(a) State the legal description (section, township, and range; metes and bounds; patent number of claims) of the land upon which you wish to explore and all land adjacent to the proposed project area which you own or control. Describe any part of the project land or workings which should not be subject to Government lien for royalty payments. If the land consists of unpatented claims, state the book and page number for each recorded location notice, including amended locations, and the place where recorded (courthouse, recorder's office, county, and state).

(b) State all the names by which you know the property.

(c) State your interest in the land, whether owner, lessee, purchaser under contract, or otherwise. If you are not the owner, submit with this application one exact copy of the lease, contract, or other document (with address of owner) under which you control the property.

(d) Describe all liens, mortgages, or other encumbrances on the property.

2. *Physical Description:*

(a) Describe in detail and illustrate with maps or sketches all mining or exploration operations which you know have been or are being conducted upon the lands, including existing mine workings. Describe all production facilities.

(b) State your interest, if any, in operations stated in 2*(a)*.

(c) State, as far as you know, the past and current production, supporting your statement with copies of settlement sheets, mine records, or published data if available.

(d) Describe known ore reserves on the property giving quantities and grades and sampling methods used, supporting your statement with copies of assay certificates and assay maps if available.

(e) Describe by narrative and maps or sketches the geologic features of the property, including ore minerals, geologic formations if known, and type of deposit (vein, bedded, etc.).

(f) State your reasons for expecting to find ore, and if you have sampled the area you propose to explore, show where the samples were taken, describe sampling methods used, and provide copies of assay certificates.

(g) Send with your application at least *two* copies of all geologic or engineering reports, assay maps, or technologic information which you may have, indicating on each whether you require its return to you.

3. *Accessibility of Project:*

(a) To aid DMEA representatives who may be required to examine the property, state the name and address of the person who will meet the DMEA representative; give directions for reaching the property; and describe accessibility of the property including the mine workings.

(b) Name the shipping and supply points and places where employees reside and state the distances between them and the property.

4. *The Exploration Project:*

(a) Describe fully the proposed exploration project giving individual footages and sizes of openings *for each item of work.* Use narrative, maps, plans, and longitudinal and cross sections as necessary. Show the location of the proposed work as related to geologic features such as veins, ore-bearing beds, contacts of rock formations, etc. Show also the relation of the proposed work to any existing mine workings and to *property boundaries* or to the closest identifiable corner.

(b) If an access road to the project must be built, show the location on the property map and state the length, type, and construction methods proposed.

(c) In the event that an exploration contract with DMEA is executed, how soon will the work start and how many months will be required to complete it? State your anticipated average daily or monthly rate of progress for each type of work.

5. *Experience:*

State your operating experience and background with relation to your ability to carry out this exploration project, and also that of the person or persons who will supervise the operations.

6. *Estimate of Costs:*

Furnish detailed estimates of the costs *for each item of the work proposed in 4(a)* under the headings listed below with a total for each heading and the estimated total cost of the project. Costs for any work to be performed by an independent contractor should be shown separately under category *(a)* below. Costs for any work that is not to be performed by an independent contractor should be given in detail under categories *(b)* through *(g)*.

(a) Independent contracts. State the cost of any proposed independent contract for the performance of all or any part of the work, expressed in units of work, such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, per cubic yard of material moved. Cost estimates should be supported by bids from three contractors if possible. *(Note* — If none of the work is to be contracted, write "none" after this item.)

(b) Personal services. For necessary supervision, engineering and geological services, and labor, include an itemized schedule of numbers, classes, rates of wages, salaries or fees, and periods of employment. State whether these technicians and employees are available.

(c) Operating materials and supplies. List items of material and supplies with their cost. Include under this heading power, water, and fuel, and units of equipment and tools costing less than $50 each.

(d) Operating equipment. List items of operating equipment to be used giving specifications and indicating how each item is to be acquired — i.e., rented, purchased, or provided by the applicant. If it is rented or purchased, state the estimated rental or purchase price. If it is to be furnished by the applicant, give its present fair market value.

(e) Initial rehabilitation and repairs. Describe the type and the cost of necessary *initial* rehabilitation or repair of existing buildings, fixtures, installations (exclusive of mine workings), and movable operating equipment now owned by the applicant, which will be used on the exploration project.

(f) New buildings, fixtures, installations. Describe each building, fixed improvement, and installation to be purchased, constructed, or installed for the exploration project stating specifications and cost including labor, materials and supervision.

(g) Miscellaneous. For the operating equipment listed in 6*(d)*, describe the type and estimate the cost of repairs and maintenance expected during project operations. Do not repeat initial repairs listed in 6*(e)*. Show also the costs of analytical work, accounting, workmen's compensation and employees' liability insurance, payroll taxes, and other required costs that do not fall within the previous categories.

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)* State whether you are prepared to furnish your share of the cost of the proposed project in accordance with the regulations on Government participation stated in Sec. 7 of DMEA Order—I, Amended.

(b) Explain to what extent you propose to furnish your share of the costs by providing money, by use of equipment owned by you, or otherwise.

* * * * *

INT.-DUP. SEC., WASH., D.C. 15539

DMEA
RECEIVED APR 28 1958
DATE

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

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1. Applicant's Property Rights:

(a) State the legal description (section, township, and range; metes and bounds; patent number of claims) of the land upon which you wish to explore and all land adjacent to the proposed project area which you own or control. Desscribe any part of the project land or workings which should not be subject to Government lien for royalty payments. If the land consists of unpatented claims, state the book and page number for each recorded location notice, including amended locations, and the place where recorded (courthouse, recorder's office, county, and state).

Exploration will be done on the following described patented mining claims, situated in Yellow Pine mining district in the County of Valley, State of Idaho, and described as follows:

> Fern; Fern No. 2, Fern No. 4; Spruce Grove; Buck's Bed; and Buck's Bed No. 1, all of which are included in United States of America Patent Mineral Survey No. 3020 on file at the Public Land Office, Boise, Idaho, said Patent Mineral Survey No. 3020 being by reference incorporated herein. Said claims are located in Sections 7 and 12, T. 18 N., Ranges 9 and 10 E., Valley County, Idaho. Patented area 99.873 acres.

(b) State all the names by which you know the property.

Fern Cinnabar Group

(c) State your interest in the land, whether owner, lessee, purchaser under contract, or otherwise. If you are not the owner, submit with this application one exact copy of the lease, contract, or other document (with address of owner) under which you control the property.

Purchaser under contract. See attached Exhibit A.

(d) Describe all liens, mortgages, or other encumbrances on the property.

None.

2. Physical Description:

(a) Describe in detail and illustrate with maps or sketches all mining or exploration operations which you know have been or are being conducted upon the lands, including existing mine workings. Describe all production facilities:

The Fern cinnabar claims were located in 1917 and a small amount of development was accomplished through 1919. Aside from discovery shaft or cuts and a small amount of trenching the main development work has been confined to three tunnels.

Near the south end of the Buck's Bed claim, a tunnel has been driven northerly into the hill for a distance of about 240 feet and at 120 feet from the portal a drift to the northwest extends for 130 feet. These workings are in a good state of preservation and access is readily made through the top of the caved portal.

North of the old log cabin and near the center of the Fern claim are two tunnels, one of which enters the hillside and follows a northerly course for 130 feet, at which point it bifurcates. One branch trends slightly northeast for 200 feet with two drifts to the west, 20 and 60 feet long respectively. The second branch trends northwesterly for 160 feet. At 25 feet from the bifurcation a drift in the branch trends westerly for 120 feet with a stub drift of 25 feet to the north. The portal of this tunnel was caved tight in the fall of 1957 prohibiting an examination of the aforesaid work but it is hoped that bulldozing done at the site last fall will make it possible to go underground in the spring of 1958.

Directly above this tunnel and about 60 feet higher in elevation, is another tunnel which extends into the mountainside a distance of approximately 100 feet. Some stoping has been done in this tunnel. It is readily accessible for examination.

See attached map, Exhibit B.

There are no production facilities of note inasmuch as the old Johnson retort still on the property is outmoded.

(b) State your interest, if any, in operations stated in 2(a).

During the summer and fall of 1957 the writer did a small amount of surface bulldozing work in an effort to reopen old portals and to determine whether or not the dyke found on the Fern claim was the same that intersects the Hermes claim to the north. Such limited bulldozing was successful.

(c) State, as far as you know, the past and current production, supporting your statement with copies of settlement sheets, mine records, or published data if available.

In Pamphlet No. 43, June, 1936, Idaho Bureau of Mines and Geology, relating to the eastern part of the Yellow Pine District, by L. W. Currier, I quote: "The mines were worked principally between 1917 and 1920. At no time, however, was production large; in 1918 the Yellow Pine district produced 22 flasks, practically all of which came from the Fern mine. A few flasks were produced at later times but no production has been reported since 1926, when, according to statistics of the United States Bureau of Mines, the United Mercury Mines Co. (Hermes Mine) produced 6 flasks."

(d) Describe known ore reserves on the property, giving quantities and grades and sampling methods used, supporting your statement with copies of assay certificates and assay maps if available.

Because exploration work has been so shallow and meager, there are no known ore reserves at this time. Although mercury mineralization appears to be quite extensive the writer has made no attempt to assay as the small amount of high grade ore available through present development does not warrant actual mining without further exploration.

(e) Describe by narrative and maps or sketches the geologic features of the property, including ore minerals, geologic formations if known, and type of deposit (vein, bedded, etc.).

Mercury, together with sulphur as the mineral cinnabar, occurs as a replacement and fracture filling deposit in an highly altered impure dolomitic limestone. This host rock which crops out over the full length of the property stands nearly vertical between quartzite beds. Average thickness of the beds is from 450 to 550 feet. The beds trend N.35° W. and dip steeply northwest. A number of "cross structures" trending N. 30-35° E., and dipping 40-60° northwest cut the beds. Most of the mercury mineralization is observed along these "cross structures" . An igneous dike, averaging some 30 feet in width, occurs on the Fern claim and extends north and into the Hermes claim which is being mined by the Holly Corporation. (See maps).

(f) State your reasons for expecting to find ore, and if you have sampled the area you propose to explore, show where the samples were taken, describe sampling methods used, and provide copies of assay certificates.

1. The decision to explore the proposed area is based on the following factors: The frequency of cinnabar outcrops and mineralization throughout the limestone beds.

2. The occurrence of some high grade mercury ore on the several claims, and particularly the Fern.

3. The presence of the same igneous dike which is found on the Hermes property and which has been generally considered to be associated with the ore bearing solutions in that property.

4. The marked similarity of the overall geologic environment with that of the Hermes group which joins on the north. Note: The Hermes or Bonanza mine has been a substantial producer of mercury in the past and is now again producing through the efforts of the Holly Corporation.

5. The fact that perhaps because of excessive overburden the contact between the limestone and the quartzite has never been explored although production of some eighty odd flasks of mercury was made from such a contact on the Vermillion claim which is in the same limestone bed to the east of the Fern group. This production was made by United Mercury in 1957 and represents the first exploration and production on the south side of the ridge for many years.

(g) Send with your application at least two copies of all geologic or engineering reports, assay maps, or technologic information which you may have, indicating on each whether you require its return to you.

See attached engineering and geologic reports.

3. Accessibility of Project:

(a) To aid DMEA representatives who may be required to examine the property, state the name and address of the person who will meet the DMEA representative; give directions for reaching the property; and describe accessibility of the property including the mine workings.

T. R. Baugh
3620 Sycamore Drive
Boise, Idaho
Res. phone 32969 Bus. phone 30421

The property is reached by taking the Thunder Mountain road out of Stibnite approximately four miles, turning up Fern creek where bridge crosses and following up Fern Creek about one-half mile. Accessibility of project has been previously described and supplemental information is contained in accompanying engineer's report.

(b) Name the shipping and supply points and places where employees reside and state the distances between them and the property. Shipping and supply points are Cascade or McCall, Idaho, approximately 86 miles and 80 miles distant respectively. No employees at present time.

4. The Exploration Project:

(a) Describe fully the proposed exploration project giving individual footages and sizes of openings for each item of work. Use narrative, maps, plans, and longitudinal and cross sections as necessary. Show the location of the proposed work as related to geologic features such as veins, ore-bearing beds, contacts of rock formations, etc. Show also the relation of the proposed work to any existing mine workings and to property boundaries or to the closest identifiable corner.

See enclosed engineering report.

(b) If an access road to the project must be built, show the location on the property map and state the length, type, and construction methods proposed.

See enclosed engineering report.

(c) In the event that an exploration contract with DMEA is executed, how soon will the work start and how many months will be required to complete it? State your anticipated average daily or monthly rate of progress for each type of work.

See engineer's report.

5. Experience:

State your operating experience and background with relation to your ability to carry out this exploration project, and also that of the person or persons who will supervise the operations.

The applicant has been president and general manager of Gem State Consolidated Mines for the past ten years. Said corporation is engaged in quartz mining.

The operations will, in all liklihood, be supervised by Ernest Oberbillig, licensed mining engineer.

6. Estimate of costs:

Furnish detailed estimates of the costs for each item of the work proposed in 4(a) under the headings listed below with a total for each heading and the estimated total cost of the project. Costs for any work to be performed by an independent contract should be shown separately under category (a) below. Costs for any work that is not to be performed by an independent contractor should be given in detail under categories (b) through (g).

See engineer's report.

For all items of cost under above heading, please refer to enclosed engineering report.

7. (a) State whether you are prepared to furnish your share of the cost of the proposed project in accordance with the regulations on Government participation stated in Sec. 7 of DMEA Order-1, Amended.

Applicant is prepared to furnish one-half of total cost.

(b) Explain to what extent you propose to furnish your share of the costs by providing money, by use of equipment owned by you, or otherwise.

Money.

RECEIVED APR 28
DATE | INITIALS | CODE

MINING LEASE AND OPTION

THIS LEASE AND OPTION, made and entered into this 1st day of October, 1958, by and between GEORGE HARBERG AND ROBERT HARBERG, brothers, Twin Falls, Idaho, parties of the first part, hereinafter called "Lessors", and T. R. BAUGH, Boise, Idaho, party of the second part, hereinafter called "Lessee".

WITNESSETH:

I

Parties of the first part represent and warrant that they have title to the following described patented mining claims, situated in Yellow Pine mining district in the County of Valley, State of Idaho, and described as follows, to-wit:

> Pern; Pern No. 2; Pern No. 4; Spruce Grove; Buck's Bed; and Buck's Bed No. 1, all of which are included in United States of America Patent Mineral Survey No. 2020 on file at the Public Land Office, Boise, Idaho, said Patent Mineral Survey No. 2020 being by reference incorporated herein.
>
> Together with all water rights and water permits, tailing sites, mill sites and easements now owned or in the future acquired by the Lessors for use in connection with mining activities upon the above described real property.

All of which shall be deemed referred to herein as "leased premises". Said lessors further represent that there are no liens or claims of any kind against such property.

II

Lessors desire to give and grant unto the Lessee, and the Lessee desires to obtain a lease and option covering all of the above-described property and the appurtenances thereon, and Lessors do hereby give and grant unto the Lessee such exclusive lease and option to purchase said property under the terms and conditions hereinafter specifically enumerated.

III

The Lessee may go upon and take possession of such property upon the execution of this agreement, and may thereafter, so long as he is not in default hereunder, maintain the possession, and may prospect all of said property for the valuable minerals therein and may remove, extract, and sell the same for his own use and benefit, subject to such payments as are required to be made to Lessors herein.

It is understood that Lessee may utilize any timber on the said mining claims for his own mining purposes on said claims, but that he may not sell any timber on the claims.

The Lessor reserves the right and privilege to utilize the leased premises for farming, and livestock grazing activities and for dwelling purposes to the extent that such will not interfere with the operations of the Lessee hereunder.

The Lessor or his duly authorized representative reserves the right to inspect the mine workings and the records of the Lessee at all reasonable times for the purpose of determining that the Lessee has complied with the terms and provisions of the Mining Lease and Option.

It is understood that Lessee, through the services of a competent geologist and mining engineer, will make a reconnaisance of the above described real property during the month of October, 1956, weather conditions permitting. It is further agreed that Lessee shall, on or before July 15th, 1957, commence such exploratory work on the property as is recommended by said engineer; such work to consist of bull-dozing, drilling or other exploration as may be required to make an adequate exploration. It is understood and agreed that not less than two men will be continuously engaged at all times during such exploration until September 10, 1957. Lessee will also furnish Lessors or their agents full and complete reports covering reconnaisance and exploration.

IV

The Lessee agrees to pay all property taxes levied and assessed upon the machinery, equipment, buildings, and other property owned by the Lessee and utilized in the mining operations hereunder and further agrees to pay the "Mines License Tax" of the State of Idaho and other license, severance or use taxes which may be levied, either by the United States of America or the State of Idaho upon the mining products produced from the leased premises during the mining operations of the Lessee. The Lessee further agrees to carry Workmen's Compensation Insurance upon its employees as required by the statutes of the State of Idaho and to pay all Unemployment Compensation and Social Security taxes required by Federal or State of Idaho statutes to be paid by the Lessee as an employer. In the event the validity of any tax herein required to be paid by the Lessee shall be tested, the failure of the Lessee to pay any such tax at the time the same shall become due and prior to the determination of validity of the tax from such contest, shall not constitute a violation of the terms of this Mining Lease. The Lessee agrees to pay, before delinquency, all State and County taxes, irrigation district assessments and all other taxes and assessments

of whatsoever kind levied or assessed during the term of this Mining Lease upon the above described real property.

V

As mining royalty (referred to herein as such), the Lessee does hereby agree to pay to the Lessors a sum of money equivalent to eight (8%) percent of the net sale, returns received for all mining products recovered by the Lessee through mining operations upon the leased premises and sold and disposed of by the Lessee. The term "net sale returns" as used herein shall be understood and interpreted to mean the gross amount of money received by the Lessee from the sale of any and all mining products which shall be removed and recovered by the Lessee through its mining operations upon the leased premises or any part thereof, less those expenses specifically hereinafter made deductible.

Only the following items of expense, if incurred, shall be deducted in computing net sale returns (upon which mining royalty is payable); (a) All mint and/or smelter charges in the case of those mining products shipped to a mint, smelter or branch thereof; and (b) the expense of transporting the mining products by common carrier from the point of initial loading on said common carrier to point of sale.

The mining royalty payable to the Lessors hereunder shall become due and payable on the 10th day of each month and such mining royalty shall be computed on the net sale returns from all mining products recovered through the mining operations of the Lessee on the leased premises for which payment has been received by the Lessee from the sale thereof during the calendar month preceding the month in which such mining royalty payments shall become due. At the time of making each such mining royalty payment, the Lessee shall transmit to the Lessors a true and correct statement of the amount, kind and nature of mining products recovered through the mining operations of the Lessee upon the leased premises for which mining royalty is then being paid, and with each such mining royalty payment, there shall be transmitted to the Lessors a duplicate mint or smelter return or statement from any other purchaser to whom such mining products shall have been sold.

All payments shall be paid either directly to the Lessors or shall be deposited to the account of the Lessors in such banking institution as the Lessors shall designate in writing.

As minimum royalty (herein referred to also as rental) the Lessee agrees to pay

to the Lessor the Sum of Two Hundred ($200.00) Dollars per month commencing September 10, 1957, and such minimum payment to continue for the life of the lease or option.

It is understood and agreed that the royalty payments above mentioned are to be considered as minimum royalty payments due each month as specified above, but if the 8% royalty due from production exceeds the minimum royalty specified above, the 8% royalty shall be paid.

VI

This lease shall run for a period of twenty (20) years from and after the date of this lease, unless sooner terminated by exercise of the option to purchase and payment of the entire purchase price as hereinafter provided, or by forfeiture of said lease by Lessee.

VII

The Lessors hereby give and grant unto the Lessee the exclusive right and option to purchase the above described claims for the full purchase price of $500,000.00 DOLLARS. This option to purchase is effective for a period of eighteen (18) years from and after the date of this contract; should such option be exercised, all royalty payments theretofore made by the Lessee pursuant to the previous provisions of this agreement shall apply on said purchase price. In the event that the Lessee wishes to exercise such option within said 18 year period, he shall so notify the Lessors in writing, and thereupon this contract will become a contract to purchase said property, and the royalty provisions of this contract shall continue and such royalty shall apply on the purchase price, and the entire purchase price must be fully paid within two years of the date the option to purchase is exercised; the unpaid balance of the purchase price shall not draw interest.

VIII

During the period of this lease and option the Lessee shall protect the Lessors and the property above described from any and all claims of whatever kind incurred by him or arising out of his operations on said property, and Lessee agrees to allow no claim or lien of any kind to be filed against said property as a result of his operations thereon.

IX

Should the option to purchase herein granted, be exercised, the Lessors agree that upon payment of the entire purchase price for said property, they will execute

and deliver to said Lessee or his assigns, a good and sufficient mining deed covering all of the above described property.

X

Lessee may place any buildings, machinery, or equipment which he may desire, on said property for the working thereof, and it is agreed that the title to any and all of such machinery or supplies shall remain in the Lessee. If for any cause this lease and option is terminated prior to the payment of the full purchase price therefor, the Lessee shall have a period of thirty (30) days thereafter in which to remove such machinery, equipment, and supplies, together with any other equipment installed for the purpose of working this property or transporting the ore therefrom, and upon failure to so remove such equipment, machinery, or supplies within such period, the title shall be forfeited to the Lessors. It is understood and agreed, however, that the removal of such equipment, machinery or supplies within the thirty day period be contingent upon road conditions to and from the property.

XI

Time is the essence of this lease and option and should the Lessee fail to make any payment herein required or violate any other condition or clause of this lease and option, this said contract shall be terminated and all rights of the Lessee forfeited therein, provided, however, that before such forfeiture occurs, the Lessors shall given written notice, specifying the matters in which it is claimed the Lessee is at default, and Lessee shall have thirty (30) days after mailing of said written notice in which to perform such condition or cure or rectify any such violation, and failing to do so at the end of said ~~twenty~~ thirty (30) (20) day period, this contract shall be terminated and all the rights of Lessee herein forfeited, together with all payments theretofore made by him, which shall be considered as fair rental and liquidated damages for the violation of this contract, provided, however, that the Lessee must pay any and all amounts due at the time such forfeiture notice is given or at the end of said forfeiture period and shall thereupon surrender the peaceable possession of all of said property to the Lessors.

The written notice herein required to be given by Lessors shall be considered given upon deposit in any United States Post Office, postage prepaid, properly stamped and addressed to Lessee at his legal address.

III

It is understood and agreed that the Lessee will carry on all mining work on this said property in a good, miner-like manner, consistent with good mining practices for the orderly development of this property as a commercial mine.

IIII

This contract may be assigned by the Lessee, but upon such assignment he shall give the Lessors notice in writing of same and such assignee shall be bound by all of the terms of this agreement.

Payments shall be made by Lessee at the places indicated, unless Lessors inform Lessee of a change in address.

IIV

All payments to be made hereunder by Lessee to Lessors, shall be sent to Lessors at the following addresses: GEORGE HARBERG AND ROBERT HARBERG, Twin Falls, Idaho, with a copy of transmittal letter to Barton & Stoddard, Engineers, 623½ Main Street, Boise, Idaho

IV

This contract shall inure to the benefit of and be binding upon the parties thereto, their respective heirs, administrators, and assigns.

IN WITNESS WHEREOF, said parties have hereunto set their hands this 8 day of October, 1936.

Witness: Chas Rammes

Witness: G. R. Winkler

Witness: A. M. Barton

George Harberg
Mrs George Harberg
Robt Harberg
Mrs Robert Harberg
Lessors

G. R. Singer
Lessee

ertificate of Acknowledgment of Execution of an Instrument

UBLIC OF FINLAND
(Country)
ITY OF HELSINKI
(County and/or other political division)
EMBASSY OF THE UNITED STATES OF AMERICA
(County and/or other political division)
(Name of foreign service office)
} ss:

I, Virgil M. Elliott, Vice Consul

the United States of America at Helsinki, Finland

commissioned and qualified, do hereby certify that on this 8th

f October, 1956 (Date), before me personally appeared Mr. George Warberg

Mrs. George Warberg

personally known, and known to me to be the individuals described in, whose

subscribed to, and who executed the annexed instrument, and being

d by me of the contents of said instrument duly acknowledged to me

y executed the same freely and voluntarily for the uses and purposes

entioned.

In witness whereof I have hereunto set my hand and official seal the day and year last above written.

Virgil M. Elliott
Vice Consul of the United States of America.

FEE [illegible] TWO DOLLARS SERVICE NO. 1585
TARIFF ITEM NO. 28
FEE PAID: U. S. $ 2.00
FMS. EQUIV.

NOTE.— [illegible]ever practicable all signatures to a document should be included in one certificate.

U.S. GOVERNMENT PRINTING OFFICE 16—15041-2

STATE OF IDAHO,
COUNTY OF TWIN FALLS, } SS.

On this 15th day of October, 1956, before me, the undersigned, a Notary Public in and for said State, personally appeared ROBERT WARBERG and ZELMA A. WARBERG, husband and wife, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same.

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

G R Winkler

Notary Public,
Residing at Twin Falls, Idaho.

AMENDMENT TO MINING LEASE AND OPTION

IT IS HEREBY UNDERSTOOD AND AGREED between GEORGE WARBERG and ROBERT WARBERG, hereinafter called Leassors, and T. R. BAUGH, hereinafter called Lessee.

1. That that certain Mining Lease and Option entered into by Leassors and Lessee on the 1st day of October, 1956, concerning properties situate in Yellow Pine Mining District, Valley County, Idaho, generally known as the Fern Quicksilver properties, shall be and the same is hereby amended by striking out from Article V, the second to last paragraph which begins at the bottom of page (3) of said lease and continues at the top of page (4) of said lease and inserting in lieu thereof the following paragraph, to-wit:

> "As minimum royalty, herein referred to as rental, the Lessee agrees to pay to the Leassors the sum of $100.00 per month commencing November 10, 1958, and continuing until November 10, 1959, at which time said minimum royalty shall be $500.00 per month and shall continue in said amount for the remaining life of the lease."

2. That said Mining Lease and Option shall be further amended by adding thereto a new article designated Article XVI which shall read as follows, to-wit:

> "The Lessee or his assigns may at any time during the life of the lease apply for and secure a loan from the United States of America, Defense Materials Exploration Administration, or any agency of the United States of America, for the purpose of carrying on exploration work on the properties subject to this lease, and the Leassors agree to grant

to the United States of America such liens on said lands or minerals produced therefrom and to execute such assignments or other document as may be necessary to complete said loans, provided that the leassors will at no time incur any personal liabilities, directly or indirectly, for the repayment of said loans, or for any charges or debts incurred by the lessee with respect to said loans."

DATED this 16th day of October, 1957.

George E Warberg
Robert Warberg

STATE OF IDAHO)
County of Twin Falls) ss

On this 18th day of October, 1957, before me, the undersigned, a Notary Public in and for said County and State, personally appeared GEORGE WARBERG and ROBERT WARBERG, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same.

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

T M Robertson
Notary Public
Residing at Twin Falls, Idaho

STATE OF IDAHO)
County of Ada)ss

On this_____ day of October, 1957, before me, the undersigned, a Notary Public in and for said County and State, personally appeared T. R. BAUGH, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same.

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

_____
Notary Public
Residing at:

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

DATE	INITIALS	CODE
12-4	gad	800
12/4	[illegible]	800
12/7	[illegible]	500
		225

No. 157 Mount Street
Spokane 4, Washington
December 1, 1959

Mr. T. R. Keogh
1600 Sycamore Drive
Boise, Idaho

Re: Docket No. [illegible] (Mercury)
Fort Sheridan Area
Valley County, Idaho
Contract No. [illegible] (Expedited)

Dear Mr. Keogh:

Thank you for your letter of November 23, 1959, in which you describe the results of the surface bulldozing carried on last July. Very great interesting, and I would like very much to visit the property again. However, it will be impossible for me to do so unless I should be in the immediate area on other OME business.

At present I do not know when I will be in the area of the mine or in Boise, but if I do get down that way, I will certainly give you a call.

Sincerely yours,

D. R. Mathews
Geologist

cc: OME(2) w/eys incoming
UMMA(2)
UMMA(AS)
Director's Reading File

3620 Sycamore [redacted]
Boise, Idaho
November 23, [redacted]

United States Department of the Interior
Bureau of Mines
1201 No. Division Street
Spokane 2, Washington

Attention: Mr. Naslein

Dear Mac:

This is purely a personal letter as I am not seeking financial assistance of any kind.

I believe, however, you will be interested in learning that in the latter part of July of this year, by means of surface bulldozing, I was able to expose several cinnabar bearing veins on the Bucks Red claim of the Fern Cinnabar group which seem to hold considerable premise.

The veins parallel each other and apparently strike 38 to 40° NW and were discovered near the contact between the lime and the quartzite (?) but generally higher up on the mountain than the chalcedonic seams which were prospected at shallow depth by the old-timers. These cherty seams, however, are the indicators as they generally make up one wall of the veins with the orebodies being capped over alongside by a barren white lime running in thickness as presently exposed from 6 to 10 feet.

The average width of 4 veins exposed is about 8 feet with the exception of one which is now 14 feet in width and I believe further 'dozing will increase this width. All of the veins carry appreciable amounts of cinnabar with excellent values. The westernmost vein actually assays 131# of mercury across an 8 feet width and although the other veins have not been adequately sampled panning and visual inspection would indicate values of from 10# per ton on up. The presence of meta-cinnabar probably accounts in part for the high assays.

The geology of the deposit or deposits has not been determined but the apparent vein system does appear to be unique.

If my development and exploration work this coming spring justifies it, and I'm sure it will, I hope to get some kind of production in 1960.

When you are again in Boise, Mac, I should like to hear from you and perhaps at a later date you should like to again visit the property.

Sincerely yours,

T. R. Baugh

TRB/m

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
	Martin	
	Dwyer	
	Appl. Sol. Off	
2/20	Martin	400
2-2	Chambers	800
		120
		~~110~~
		~~100~~
2/3	C	225
2/4	B	~~400~~ 215

FEB 3 1959

Mr. T. R. Baugh
3620 Sycamore Drive
Boise, Idaho

Re: Docket No. DMEA 4993 (Mercury)
Fern Cinnabar Group
Valley County, Idaho
Contract No. Idm-E1217

Dear Mr. Baugh:

The subject contract provided for a diamond drilling program to test certain geological structure and mineralization expected to exist on the land described in the contract. However, prior to the performance of any work pursuant to the subject contract, work which you performed independently disproved the existence of the target that was the subject of the contract.

No work under the contract has been performed and the time for completing all the work has elapsed. All work under the contract requires prior Government approval and the Government will not give approval to the performance of any work. In these circumstances, the Government hereby rescinds, revokes, and cancels the subject contract as of the date thereof.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

HCRubin/hm 1/30/59
cc: OME Docket
Dir. reading file
Mr. Dwyer
Mr. Rubin
Mr. Martin
Field Team (Reg. I)

8623

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
1-27	Holt	400
1-27	Martin	400
		140
		140

January 27, 1959

MEMORANDUM

To: Associate Solicitor, Division of Mineral Resources

From: Division of Iron and Ferro-Alloys, OME

Subject: Preparation of Rescission of Contract
Docket No. DMEA 4993 - Mercury
T. R. Baugh
Fern Cinnabar Group
Valley County, Idaho

Please prepare a unilateral rescission of the above-captioned contract, in the place of the proposed mutual rescission agreement prepared by your Division, which the Operator, despite repeated requests, has failed to execute and return.

W. S. MARTIN

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

WPHOLT:foc
1-27-59
cc to: Docket
Chron. File

43683

orm 7
58)

OFFICIAL FILE COPY

Date	Surname	Code
1-23	Hoff	400
1-23	Martin	408
		130
		110
		100
		248
		225
		400

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

Re: Docket No. DMEA 4993 - Mercury
T. R. Baugh
Fern Cinnabar Group
Valley County, Idaho
Contract No. Idm-E1217

Dear Mr. Weissenborn:

Enclosed are the original and all copies of a proposed letter to the Operator of the above-referenced contract.

If you have not heard from this Operator in the meantime, and the proposed letter meets with your approval, please sign and forward the original, keep your copies and return all other copies to us for distribution.

Sincerely yours,

Chairman, Operating Committee

APPROVED:

Member, Bureau of Mines

Member, Geological Survey

SPHOLT:foc 1-23-59
cc to: Code 400
Director's Read. File
Operating Comm.
FT. REG. I
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Enclosure

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
1-23	Holt	400
1-23	Martin	400
		130
1/23	Baugh	
"	Nelson	
		110
		100
		225
		400

Mr. T. R. Baugh
3620 Sycamore Drive
Boise, Idaho

Re: Docket No. DMEA 4993 - Mercury
Fern Cinnabar group
Valley County, Idaho
Contract No. Idm-E1217

Dear Mr. Baugh:

With our letter of September 4, 1958, we sent you the original and four copies of a proposed Rescission Agreement of the above-captioned contract, with the request that if you approved you should sign and return all copies to this office.

Our letters of November 6, and December 16, 1958, called to your attention that we had received no reply to our previous letters, but we have not yet heard from you on the subject.

While we do not wish to seem arbitrary, you will appreciate that we cannot leave this question pending indefinitely. Therefore, unless we hear from you within 30 days, we will have to ask our Washington office to issue a unilateral rescission of the subject contract.

Sincerely yours,

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

SPHOLT:foc
1-23-59
cc to: Code 400
Director's Read. File
Operating Comm.
FT. REG. I (2)
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

43683

OFFICIAL FILE COPY
O. M. E.
RECEIVED DEC 22 1958

DATE	INITIALS	CODE
12/22	C	220
"	EEB	800
12/22	WSM	400

No. 157 Howard Street
Spokane 4, Washington

December 16, 1958

Mr. T. R. Baugh
3620 Sycamore Drive
Boise, Idaho

Re: Docket No. IBRA-4993 (Mercury)
Fern Cinnabar Group
Valley County, Idaho
Contract No. Idm-E1227

Dear Mr. Baugh:

This is in further reference to our letters of September 4 and November 6, 1958, to which we have received no reply.

In our letter of September 4, 1958, we sent you the original and four copies of a proposed Recission Agreement of the referenced contract, signed by the Administrator for the Government. We requested that if the terms and conditions of the proposed agreement were satisfactory you sign all copies, retain that copy marked for the Operator, and return the rest to this office. Should it not meet with your approval, we requested that you return, unsigned, all copies, including the Operator's Copy, to this office with your comments.

Our letter of November 6, 1958, again called this matter to your attention and advised you that we had received no reply to our letter of September 4.

So that our records may be complete, we again request that you return the Recission Agreement, either signed or unsigned, at your earliest convenience.

Sincerely yours,

Wing G. Agnew
Acting Executive Officer
OME Field Team Region I

cc: OME (2)
USBM (2)
USBM(AD)
Albee

So. 157 Howard Street
Spokane 4, Washington

November 6, 1958

OFFICIAL FILE COPY
O. M. E.
RECEIVED
1958
11/10
11/10
11/12 WSM
226
800
400

Mr. T. R. Baugh
3620 Sycamore Drive
Boise, Idaho

Re: Docket No. ~~DMEA-4993 - Mercury~~
~~Fern Cimpher Group~~
Valley County, Idaho
Contract No. Idm-81217

Dear Mr. Baugh:

On September 4, 1958, we sent you the original and four copies of a proposed Revision Agreement of the referenced contract, signed by the Administrator for the Government. We requested that if the terms and conditions of the proposed agreement are satisfactory you sign all copies, retain that copy marked for the Operator, and return the rest to this office. Should it not meet with your approval, we requested that you return unsigned all copies, including the Operator's copy, to this office with your comments. As yet we have received no reply.

We would appreciate your prompt attention to this matter.

Sincerely yours,

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

cc: OME (2)
USBM (2)
USBM(AD)

OFFICIAL FILE COPY
DMEA
RECEIVED SEP 8 1958

DATE	INITIALS	CODE
9-8	C	220
9/8	[illegible]	800
9/9	[illegible]	400

So. 157 Howard Street
Spokane 4, Washington

September 4, 1958

Mr. T. R. Baugh
3620 Sycamore Drive
Boise, Idaho

Re: Docket No. DMEA-4993 - Mercury
Fern Cinnabar Group
Valley County, Idaho
Contract No. Idm-81217

Dear Mr. Baugh:

Enclosed are the original and four copies of a proposed Rescission Agreement of the cited contract, signed by the Administrator for the Government. If the terms and conditions of the proposed agreement are satisfactory, please sign all copies, retain that copy marked for the Operator, and return the rest to this office. If it does not meet with your approval, please return all copies, including the Operator's, to this office with your comments.

We are sorry this action is necessary. However, if further exploration should indicate a suitable target and you wish to submit another application, we would be glad to consider it. A new law has been passed to continue Government aid in exploration and details of administration are being worked out in Washington. We will put your name on our mailing list and will send you the information on the new program when we receive it.

Sincerely yours,

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

Enclosures as above

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

STATES
THE INTERIOR
RATION ADMINISTRATION

Wessenhorn letter
8/7/78
Suggests operator can re-apply

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
8-26	Martin	400
8-26	Chapman	400
"	Chamlee	800
8/29	GCS	130
"	Johnson	110
"	Chatterday	100
9/2	C	220
		400

AUG 29 1958

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

Re: Docket No. DMEA 4993 - Mercury
T. R. Baugh
Fern Cinnabar group
Valley County, Idaho
Contract No. Idm-E1217

Dear Mr. Weissenborn:

Enclosed are the original and four copies of a proposed "Rescission" of the above-referenced contract, signed by the Administrator for the Government. Two extra copies are enclosed for the use of the Field Team.

If the terms and conditions of the proposed "Rescission" are satisfactory to you and the Operator, all five copies shall be signed by the Operator and the usual distribution made.

If any part of the proposed "Rescission" does not have your approval or that of the Operator and cannot be altered within your delegated authority, the original and all copies are to be returned to this office, together with the proposed changes for consideration.

Sincerely yours,

Enclosures

George C. Selfridge

APPROVED:

P. F. Yopes (GCS)
Member, Bureau of Mines

N. E. Nelson (GCS)
Member, Geological Survey

Chairman, Operating Committee (GCS)

TLCHAPMAN/dlm 8-26-58
cc to: Code 400
Admr. R. File
Oper. Comm.
FT. REG. I
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
8-18	Holt	400
8-18	Chapman	400
		140

C
SOLICITOR

AUG 18 1958

INTERIOR DEPT.

August 19, 1958

MEMORANDUM

To: Associate Solicitor, Division of Mineral Resources

From: Division of Iron and Ferro-Alloys, DMEA

Preparation of Contract
Docket No. DMEA 4993-Mercury
T. R. Baugh
Fern Cinnabar Group
Valley County, Idaho
Contract No. Idm-E1217

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

/S/
T. L. Chapman, Acting Director
Division of Iron and Ferro-Alloys

TLCHAPMAN/dlm, 8-19-58
cc to: Docket
Chrone

RECEIVED
AUG 19 1958
ASSOC. SOLICITOR
MINERAL RESOURCES

8623

JUSTIFICATION FOR RESCISSION.
CONTRACT NO. IDM-E1217 (DOCKET NO. DMEA-4993)

The date for writing contracts under DMEA expired as of June 30, 1958, and as an examination could not be completed before this date due to snow conditions, the contract was written and executed on the basis of report on adjoining property and private reports with the proviso that work would be subject to an examination by the Field Team and approval of same. Some additional work was done by the Applicant prior to Field Team examination and after the examination it was agreed with the Operator that the work provided for in the Contract was not warranted and rescission of the Contract was recommended.

/s/ T. L. Chapman

T. L. Chapman, Acting Director
Division of Iron and Ferro-Alloys

RESCISSION OF EXPLORATION PROJECT CONTRACT

It is agreed this _____ day of _____, 1958, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and T. R. Baugh, of Boise, Idaho, parties to that certain Exploration Project Contract No. Idm-E1217 (Docket No. DMEA - 4993), dated June 23, 1958, hereinafter called the "Contract", that the Contract is hereby revoked, cancelled and rescinded as of June 23, 1958, before any work has been performed or any costs have been incurred thereunder, without any obligations whatever one party to the other, the same as if the Contract had never been entered into.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By_____
Administrator, Defense Minerals
Exploration Administration

By_____
T. R. Baugh

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

August 7, 1958

RECEIVED AUG 12 1958		
DATE	INITIALS	FILE
8/12	H. G.	225
8/12	Chapman	400

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

Re: Docket No. DMEA-4993 (Mercury)
T. R. Baugh
Fern Cinnabar Group
Valley County, Idaho
Contract No. Idm-E1217

Dear Mr. Selfridge:

This is in reference to the Initial Inspection Report on the Fern Cinnabar group which was forwarded to you with other interim inspections August 1, 1958.

We talked to Mr. Baugh on the telephone August 7 and he advised us that he has done some bulldozing on the Fern No. 4 claim but as yet has not found any target that would justify diamond drilling. However, he said that there is still to be bulldozed an area considered to be "interesting" on the basis of surface panning. He has also deepened the trench on the Fern claim by about 4 feet. The examiners saw this trench which exposed the porphyry dike and panned some of the dike material without finding any evidence of mercury. Baugh said the deeper exposure still shows the dike to be weathered and to be considerably stained by manganese and iron but does not yet show any evidence of mercury-bearing material.

In the tunnel on the Bucks Bed claim the examiners found only an occasional trace of cinnabar. Baugh now says that he had sampled parts of this tunnel without success but that he will do additional sampling in a drift that follows a "soft" bed or zone which he did not sample before.

In summary, it appears that there is still no target to justify drilling at this time, although such a target may be found by additional prospecting. We advised Mr. Baugh that we could only recommend that his present contract be rescinded, but that if a law is passed to continue Government aid for exploration and further prospecting should indicate a suitable target, he could re-apply for aid.

The Field Team recommends that this contract be rescinded without prejudice to the property.

By Field Team Region I

Thomas E Howard
for: Wing G. Agnew, Acting Exec. Officer
U. S. Bureau of Mines

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

cc: USBM (2)
USBM(AD)
Albee

8/12/58
cc to BM
& BS
Eob

Official

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

July 18, 1958

		CODE
8/4	N.g.	225
4	COM	100
11		110
8/5		800
8/5	W/SM	400

MEMORANDUM

To: DMEA Field Team Region I

From: Howard F. Albee and D. R. MacLaren, Geologists, U. S. Geological Survey

Subject: Initial Inspection Report, Docket No. DMEA-4993 (Mercury), T. R. Baugh, Fern Cinnabar Group, Valley County, Idaho, E1217

An application for DMEA aid was received April 23, 1958, from Mr. T. R. Baugh, 3620 Sycamore Drive, Boise, Idaho. Inasmuch as the property lies at altitudes above 8,000 feet, an examination could not be made and a report written in time to be processed prior to midnight June 30, 1958.

Because the Fern group is adjacent to the Hermes mine of the Holly Corporation, the subject of Docket No. DMEA-4753, and because the limestone beds were thought to be an extension of the ore-bearing limestone of the Hermes mine, it was felt that if an examination could be made, a modest program would be recommended. A contract dated June 23, 1958, was entered into on this basis with Mr. Baugh.

The property was examined July 9 and 10, 1958, by Howard F. Albee and Donald R. MacLaren, Geologists, U. S. Geological Survey, and Eric G. Erickson, Mining Engineer, U. S. Bureau of Mines, accompanied by T. R. Baugh and Jack McKenney, an associate of Mr. Baugh.

The applicant's desire to explore the property was based largely on mercury showings in the upper of two adits which are near the easterly side of a porphyry dike that cuts the limestone beds on the Fern claim (pl. 1 of contract). These showings are about 60 feet from the dike and consist of from one to three 2-8-inch wide discontinuous siliceous veins that, in places, contain high-grade cinnabar ore. The veins strike approximately parallel to the dike and dip 32°-38° northwesterly toward the dike. The dike dips 40°-45° northwesterly.

From this relationship in attitudes the applicant felt that work should be done to explore down dip of the veins along the dike. However, at the time the application was made, the lower adit was not accessible.

Subsequent to the application, Mr. Baugh dozed open the portal of the lower adit. This adit is about 60 feet directly below the upper adit. The lower adit has several hundred feet of workings part of which cut the dike in two places. These entire workings were essentially barren of cinnabar and showed no evidence of a downward extension of the veins from the upper adit. After noting the lack of showings in the lower adit, both the field examiners and Mr. Baugh agreed that no exploration should be done at these locations without more information. Further examination of the property revealed no other targets worthy of exploration; however, one claim, Fern No. 4, was not examined. Mr. Baugh and Mr. Brassfield of Holly Corporation stated that mercury could be panned on this claim down slope from the higher outcrops of the same dike, as is referred to above, but bulldozing would be necessary before other than overburden could be seen.

Mr. Baugh stated he was going to bulldoze on the Fern No. 4 and will telephone the results to the Field Team. If the results of the dozing appear to be sufficiently encouraging to warrant further exploration work, the examining team will make an examination during the week of August 11. The work as Mr. Baugh expects to do could also reveal information useful in further evaluating the mercury-bearing veins on the Fern claim. With these results available, either a drilling program will be approved or a recommendation will be made to rescind the contract.

Distribution:
DMEA (4)
USBM (2)
USBM(AD)
Docket
Albee

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

OFFICIAL FILE COPY
DMEA
RECEIVED 7 4 1958

DATE	INITIALS	CODE
7/7	C	220
	B	215
	JLC	400

July 2, 1958

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

Re: Docket No. DMEA-4993 (Mercury)
T. R. Baugh, an individual
Fern Cinnabar group
Valley County, Idaho
Contract No. Idm-E1217

Dear Mr. Selfridge:

Enclosed are the Government and Audit copies of the above-referenced contract. Other copies have already been distributed.

According to the terms of the contract, Field Team representatives will be at the property about July 9, 1958, prior to the commencement of work.

Sincerely yours,

Donald R. MacLaren

Donald R. MacLaren
For: Wing G. Agnew
Acting Executive Officer
DMEA Field Team Region 1

Enclosures

cc: USBM (2)
USBM(AD)
Albee

So. 157 Howard Street
Spokane 4, Washington

June 24, 1958

RECEIVED JUN 26 1958		
DATE		
6/27	C	220
	WSM	4-00

Air Mail

Mr. T. R. Baugh
3620 Sycamore Drive
Boise, Idaho

Re: Docket No. DMEA-4993 - Mercury
Fern Cinnabar group
Valley County, Idaho

Dear Mr. Baugh:

Enclosed are the original and four copies of a proposed long-form exploration contract, signed by the Administrator for the Government, together with Annex I (1 page), one Consent to Lien and Subordination Agreement, Exhibit "A" (3 pages), and one map.

Your attention is called to Article 8(b) of the contract which deals with repayment by the operator from royalty on production. Any production from the land described in the contract is subject to the royalty provisions of the contract whether or not the ore was known to exist prior to the date of the contract or it is discovered or developed by the work under the contract. This applies to all production during the period in which the Government may certify or, if the project is certified, to all production during the repayment period specified in the contract.

If the conditions and terms of the proposed contract are satisfactory to you, sign all five copies, retain the one marked "Operator's Copy", and return the other four to this office. The return envelope must be postmarked prior to midnight, June 30, 1958, for the contract to be valid.

If any part of the proposed contract is not acceptable, return all five copies to this office together with your proposed changes for consideration.

You will note that the contract provides that the exact locations, course and inclinations of the drill holes shall have the prior approval of the Government. Work is to commence on or before August 1, 1958.

Sincerely yours,

Wing G. Agnew
Acting Executive Officer
DMEA Field Team Region 1

Enclosures
DRM/emr cc: DMEA (2); USBM (2); USBM(AD); Albee

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
6-20	Chapman	400
6-20	Martin	400
6/20	Talbert	800
6/	[illegible]	130
6/23	Johnson	110
"	Rutledge	100
6/23	[illegible]	230
		400

1958

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

Re: Docket No. DMEA 4993 - Mercury
T. R. Baugh
Fern Cinnabar group
Valley County, Idaho

Dear Mr. Weissenborn:

Enclosed are the original and four copies of a proposed long form contract for an exploration program at the above-referenced project, signed by the Administrator for the Government, together with Annex I (1 page), 1 Consent to Lien and Subordination Agreement, Exhibit "A" (3 pages), and one map. Two extra copies are enclosed for the use of the Field Team.

This contract provides that the property will be examined by the Field Team, and that the work will have their approval, as outlined in the last paragraph of your letter of May 26, 1958, on the subject. You will note that work must be started by August 1, 1958.

If the conditions and terms of the proposed contract are satisfactory to you and the Operator, all five copies should be signed by the Operator and the usual distribution made.

If any part of the proposed contract does not have your approval or that of the Operator and cannot be altered within your delegated authority, the original and all copies are to be returned to this office, together with the proposed changes for consideration.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures

APPROVED:

Frank D. Lamb

Member, Bureau of Mines

N. E. Nelson

Member, Geological Survey

TLCHAPMAN:foc 6-20-58
cc to: Code 400
Admr. R. File
Oper. Comm.

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

8623

DMEA-4993

Mr. Selfridge —

I have summaned proposed contract. However, I believe the words "none except" should be included under Categories (3) & (7).

Talbert
6/20/58

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
6-11	Chapman	400
6-11	Martin	400
		140

June 11th, 1958

MEMORANDUM

To: Associate Solicitor, Division of Mineral Resources

From: Division of Iron and Ferro-Alloys, DMEA

Subject: Docket No. DMEA 4993 -Mercury
T. R. Baugh
Fern Cinnabar group
Valley County, Idaho

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

W. S. MARTIN

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

Attachment

TLCHAPMAN/dlm 6-1158
cc to: ~~Code~~ Docket

8623

MF-200
(Revised June 1954)

Docket No. DMEA [redacted]

Commodity [redacted]

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] [redacted]

.....

.....

.....,

whose mailing address is [redacted]

.....,

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 [redacted]

.....

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 [redacted], County of [redacted], and is described in Annex I.[3]

(b) The Operator represents and undertakes that:

(1) The Operator is the [4] [redacted] of [5] [redacted] in the land, in possession and entitled to possession for all of the purposes of this contract, under and by virtue of a [6] [redacted], [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: [redacted]

.....

.....

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

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

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

(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 August 1, 1958 shall commence the work, and on or before December 31, 1958 (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall either have completed the work or shall have incurred allowable costs (see Article 6) in a sum not less than the estimated total allowable cost set forth in Exhibit "A."

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

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

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

ARTICLE 5. *Contribution by the Government.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $ 21,720.00. The Government shall contribute 50 percent of the allowable costs as they are incurred in a total sum not in excess of $ 10,860.00: *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~~ 8 See article 13

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 13. *Changes and added provisions.*—

In Article 6 (c), the words "Article 9" are changed to "Article 8."

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By .....

.....
(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

EXPLORATION PROJECT PROGRAM
T. R. BAUGH
DOCKET NO. DMEA 4993

ANNEX NO. 1

The land referred to in Article No. 2 of the contract form and as shown on Plate 1, (Geologic Map of the Fern group showing proposed drill hole locations) consists of six patented lode mining claims, Mineral Survey No. 3020, as follows: Fern, Fern No. 2, Fern No. 4, Spruce Grove, Buck's Bed and Buck's Bed No. 1. The claims are located in sections 7 and 12, T. 18 N., Rs. 9 and 10 E., Yellow Pine Mining District, Valley County, Idaho.

The property is owned by George Warberg and Robert Warberg, (brothers) Twin Falls Idaho, and on October 1, 1956, a Mining Lease and Option was issued to T. R. Baugh, Boise, Idaho. Said Mining Lease and Option was amended on October 16, 1957.

Attached hereto is a Consent to Lien and Subordination Agreement, dated May 22, 1958, signed by Geo. W. Warberg and Ethel S. Warberg, and Rob't M. Warberg and Zelma A. Warberg.

EXPLORATION PROJECT CONTRACT
T. R. BAUGH
DOCKET NO. DMEA - 4993

EXHIBIT "A"

Description of the Work

The proposed work on the project shall consist of building access roads and drill sites with a D7 bulldozer or equivalent of another make and diamond drilling. All work shall have prior approval of the Government.

It is indicated that approximately 2,500 feet of access road will be required and 9 drill sites, requiring not to exceed 64 hours.

Diamond drill nine holes, to be not less than AX in size and each hole to be approximately 200 or 300 feet in depth, the total not to exceed 2,500 feet. The approximate location of the drill holes are indicated on Plate 1, but exact locations, course and inclinations shall have the prior approval of the Government. Depths shall be dependent on the geological structure and the mineralization. The drill holes shall be cemented and redrilled or reamed and cased as necessary.

Diamond drill cores or sections of cores shall be stored in wooden core boxes.

Mineralized zones in diamond drill holes shall be sampled and assayed for mercury.

An engineer-supervisor shall oversee the work, map location of holes and hole geology and sample cores from mineralized zones.

ESTIMATED COST OF THE PROJECT
Long Form Contract

Actual Costs

Category (1)			
	Independent Contracts		
	Bulldoze access roads and drill sites 64 hours at $15.00/hr.	$ 960.00	
	Transportation of bulldozer	200.00	
			$1,160.00
	Diamond drilling, 2,500 feet at $6.00/ft.	$15,000.00	
	Cementing and redrilling or reaming and casing, 500 feet at $3.00/ft.	1,500.00	
	Transportation of equipment	100.00	
			16,600.00
Category (2)			
	Personal Services		
	Engineer-Supervisor. 4 months at $600.00/mo.		2,400.00
Category (3)			
	Operating Material and Supplies		
	75 core boxes, wooden at $4.00 each		300.00
Category (4)			
	Operating Equipment		
	Rental. 1 pick-up truck or jeep, 4 months at $150.00/mo. (includes gas, oil, repairs).		600.00
	Purchases	None	
	Depreciation	None	
Category (5)			
	Initial Rehabilitation and Repairs	None	
Category (6)			
	New Buildings, Fixtures and Installations		
	Core box racks		100.00
Category (7)			
	Miscellaneous		
	Assaying, 50 samples for mercury at $4.00 each. Includes transportation	$200.00	
	Compensation, Social Security, Insurance, $2,400 at 15 percent	360.00	
			560.00
	Total estimated cost of project		$21,720.00
	Government participation, 50 percent		$10,860.00

IN REPLY REFER TO:

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 4 1958

DATE	INITIALS	CODE
6/3	N. J.	225
	WSM	400

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

June 3, 1958
Re: DMEA 4993
T. R. Baugh
Fern Group
Valley County, Idaho
Mercury

Memorandum

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

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

Subject: Review of letter of Field Team recommending the writing of a contract without an examination

The applicant requested assistance in exploring showings of mercury on claims in the general vicinity of the Hermes mercury mine.

In support of the application are reports by Ernest Oberbillig, Professional Engineer, and James C. Brassfield, general manager of the Hermes operation. Both consider the work proposed warranted, based largely on the similarity of conditions on the Fern and Hermes properties. Mr. Brassfield says the Fern showing is to all intents and purposes an offset of the Hermes ore body. Such appears unlikely unless a fault with a lateral displacement of over 2,000 feet is a reasonable assumption. However the small showings at the Fern and the Hermes mine occur in altered dolomitic limestone. Cross dikes are present on both properties and the little ore so far found at the Fern is associated with a dike. Brassfield says an andesite dike strikes N 30° W whereas on Oberbillig's map the dike strikes S 45° W.

At the Hermes mine the cinnabar is found in replacement deposits and fracture fillings in the strongly altered dolomitic limestone. The ore is found mostly above the easterly part of a kaolinized aplitic intrusion about 4 feet thick, which on the 7500 level forms an anticlinal-like body that plunges 10° southeasterly. (Albee). Brassfield saw like material at the Fern, but Oberbillig makes no mention of such a feature.

Work appears to be warranted but it is not clear where it should be done. If a contract can be drawn which allows

considerable latitude in spotting the drill holes, I recommend that such be written without an examination having been made. The holes should be spotted after an examination has been made.

N. E. Nelson

N. E. Nelson

COPY

DMEA
RECEIVED 28

612 Main 6/2 2LB 130
Boise, Idaho 220
May 23, 1958

United States Department of the Interior
Defense Minerals Exploration Administration
So. 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-4993 (Mercury)
Fern Cinnabar Group
Valley County, Idaho
Attention: D. R. MacLaren

Dear Mr. MacLaren:

I am enclosing herewith four copies of a brief geological report on the Fern group as writen by James C. Brassfield, geologist and general manager for Holly Minerals Corporation, which I trust will assist you in evaluating the merits of my application for DMEA assistance.

Mr. Brassfield was hesitant in programming a complete drilling program without being able to again go over the property before making his recommendations in this respect. It will therefore be necessary that my application remain as submitted for the time being.

I flew over the Fern at 7 a.m. this morning and although the snow is melting rapidly it was evident that most of the road from Stibnite was still badly drifted and except for a few bare patches on the south slope the claims are still covered by at least three or four feet of snow and in places more.

If convenient for you, I would suggest that you plan to come in for your examination the week end of June 13th or 14th or as soon thereafter as possible. I shall make myself available for any time you stipulate.

In closing, I should like to add that Mr. Brassfield felt that your knowledge of the geology of the Hermes group which adjoints the Fern precluded the necessity of his making a more extensive report. In addition, he is just now recovering from recent surgery and I feel fortunate in having his assistance at this time.

Very truly yours,

/s/ T. R. Baugh
/t/ T. R. Baugh

Reviewed by
DMEA OPERATIONS OFFICE
6-2-58
(date)

TRB/m
Encls.-4

Received

MAY 23, 1958
U.S.G.S.
Spokane, Wash.

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

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 28 1958

5/28	C	220
6/2	2/B	130
6/2	C	220
	WSM	400

Air Mail

May 26, 1958

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

Re: Docket No. DMEA-4993 (Mercury)
T. R. Baugh
Fern Cinnabar Group
Valley County, Idaho

ONSITE EXAM

Dear Mr. Selfridge:

Enclosed are two copies of a letter from the referenced applicant and an accompanying report on the Fern group by James C. Brassfield who examined this property last fall. From Mr. Baugh's letter, it appears that a satisfactory examination will not be feasible before the middle of June.

The Fern group is adjacent to the property of the Holly Corporation, the subject of Docket No. DMEA-4753, and the limestone band is an extension of the ore-bearing zone of the Hermes mine. We therefore feel that, could we make an examination, we would undoubtedly recommend a modest program. The applicant has proposed diamond drilling 13 holes ranging in depth from 250-300 feet deep along the dike at the north end of the property. We feel that 3 or 4 holes in the dike area would be sufficient. The ore zone in the northwest part of the Hermes mine is mostly in the southwest half of the limestone area. Possibly 4 holes to explore this area would be justified. Also two or three holes might be justified in the vicinity of the upper tunnel and the lower tunnel.

If you feel that there is sufficient data in the report by Oberbillig, accompanying the application and in the enclosed report of Brassfield's to justify a modest program, we would suggest providing for 2,000 feet of holes in Stage I and 1,000 feet of holes in Stage II, using the cost estimates in the Holly report (Docket No. DMEA-4753) and the other items as presented in Oberbillig's report.

In the event that such a contract could be prepared, we are enclosing a copy of a claim map showing the tentative locations of the

Reviewed by
DMEA OPERATING COMMITTEE
6-2-58
(date)

drill holes. All of the indicated holes would not be drilled. No hole should be started without Field Team authorization which would not be given until an examination could be made. In the event that no holes could be authorized, the contract could be rescinded.

By Field Team, Region I

A. E. Weissenborn

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

Wing G. Agnew

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

Enclosures

cc: USBM (2)
Alvord

P. S. Also enclosed are five copies (all originals) of Consent signed by the two Warbergs and their wives, in compliance with your request of May 8, 1958.

DMEA

5-19	C	220
	WSM	400

So. 157 Howard Street
Spokane 4, Washington

May 16, 1958

Mr. T. R. Baugh
612 Main Street
Boise, Idaho

Re: Docket No. DMEA-4993 (Mercury)
Fern Cinnabar Group
Valley County, Idaho

Dear Mr. Baugh:

This is in further reference to our telephone conversation of May 13, 1958, regarding the possibility of making a field examination of the Fern Cinnabar group.

As we agreed the 4 to 5 feet of snow on the property would make an immediate examination attempt futile. If you could get a copy of Mr. Brassfield's report on the examination that he made last fall it might be very helpful but of course we cannot guarantee that it would take the place of an examination by our field men.

In case the snow should melt fast enough for an early examination or in case we can get enough information from Mr. Brassfield's report, we are enclosing six copies of the Consent to Lien and Subordination Agreement forms. The forms you sent us were correctly filled in but some were signed Robert Warberg and others Robt. Warburg. Either is acceptable, but all forms must be signed the same. Also the forms should be signed by the wives as they have signed the lease. We are returning the two copies of the Consent sent with your application.

Sincerely yours,

D. R. MacLaren
for: A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I

Enclosures

cc: DMEA (2)
USBM (2)
Alvord

P. S. The original and four copies of the Consent forms should be returned to this office. The sixth copy is for the signors.

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

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 12 1958

DATE	INITIALS	CODE
5/12	C	220
	WSM	400

May 2, 1958

MEMORANDUM

To: DMEA Field Team, Region I

From: D. C. Alvord, Geologist, U. S. Geological Survey

Subject: New application, Docket No. DMEA-4993 (Mercury), T. R. Baugh, Fern Cinnabar Group, Valley County, Idaho.

The subject application was received on April 23, 1958. I contacted Mr. Baugh by telephone on April 25, to find out when it would be possible to examine the property. At that time, Mr. Baugh believed that it would not be possible to complete an examination until about June 1, but he agreed to contact Mr. Brassfield of the Hermes mine, which is adjacent to the Fern Cinnabar group, in order to find out the current conditions at that locality. Accordingly, Mr. Baugh reached me by telephone at my residence on April 27, 1958, and told me that there was 5 feet of snow on the level at the Hermes mine. Mr. Baugh thinks June 10 is about the earliest possible feasible time to make the examination. However, Mr. Baugh added that Mr. Brassfield and an assistant spent some time last fall examining the Fern Cinnabar group in the interest of the Holly Corporation, which controls the Hermes property, and Mr. Baugh believed that it would be possible for him to obtain a copy of Brassfield's report, and he would send us a copy.

Possibly, Brassfield's report, combined with the application, would permit a Field Team evaluation and recommendation in the office without a field examination.

Distribution:
DMEA (3)
USBM (2)
Docket
Alvord

5-12-58
Do you want the
X-ray specimens
to BMRDS?

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
5-7	Chapman	400
5-7	Martin	400
5/7	Selfridge	130
5/7	Lamb	130
5/7	Kilgaard	130
"	Thomas	110
"	Mittendorf	100
5/8	C	220
	DL	400

MAY 8 1958

Mr. T. R. Baugh
3620 Sycamore Drive
Boise, Idaho

Re: Docket No. DMEA 4993- Mercury
Fern Cinnabar group
Valley County, Idaho

Dear Mr. Baugh:

The application for assistance in exploring the subject property under the captioned docket number has been reviewed by the Washington office of the Defense Minerals Exploration Administration.

The DMEA Field Team, Region I, Mr. A. E. Weissenborn, Executive Officer, South 157 Howard Street, Spokane 4, Washington, will make a field examination of the property if it has not already done so.

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

Sincerely yours,

C. O. Mittendorf (for)

Administrator

TLCHAPMAN/dlm 5-7-58
cc to: Code 400
Admr. R. File
Oper. Comm.
FT. REG. I
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
5-7	Chapman	400
5-7	Meeting	400
5/7	[illegible]	130
1/60	[illegible]	110
"	Chronology	100
		220

MAY 8 1958

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

Re: Docket No. DMEA 4993 - Mercury
T. R. Baugh
Fern Cinnabar group
Valley County, Idaho

Dear Mr. Weissenborn:

Reference is made to the Field Team's letter of April 23, 1958, which states that a field examination of the subject property will be attempted during the week of April 28, 1958.

We will, therefore, hold this application in abeyance until the report and recommendations of the Field Team are received.

Enclosed are copies of memoranda, dated May 1 and 5, 1958, by J. W. Pennington, Bureau of Mines, and W. P. Williams, Geological Survey, respectively, with an extra copy of the application for the use of the Field Team. Also enclosed are the two copies of Consent to Lien and Subordination Agreement signed by George Warberg and Robert Warberg. It will be necessary to have their wives sign too. Please send them six copies for signatures.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (JHB)

APPROVED:

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

Thor H. Kiilsgaard (JHB)
Member, Geological Survey

Enclosures

TLCHAPMAN:foc 5-7-58
cc to: Code 400
Admr. R. File
Oper. Comm.
FT. REG. I
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

IN REPLY REFER TO:

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

Memorandum

May 5, 1958

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

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

Subject: Review of application, DMEA 4993 (mercury), T. R. Baugh, Fern Cinnabar group, Valley County, Idaho.

The applicant proposes to explore for mercury ore on six patented mining claims. The property is located in the Yellow Pine district.

The proposed project would consist of thirteen drill holes, to be drilled in two stages at a total estimated cost of $19,660.

Cinnabar is known in the vicinity but only small amounts of ore have been produced. Whether or not the proposed drilling project would result in a significant discovery could best be determined through field examination of the claims. I recommend that the application be referred to the Field Team for further processing.

OFFICIAL FILE COPY
DMEA
RECEIVED

5/6	C WSM	220 400

W. P. Williams

W. P. Williams

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 2 1958
C 220
WSM 400

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

May 1, 1958

Memorandum

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

From: Assistant Chief, Branch of Base Metals

Subject: Review of application, Docket No. DMEA-4993 (Mercury), T. R. Baugh, Fern Cinnabar Group, Valley County, Idaho. $19,660.00.

The applicant proposes to explore for mercury mineralization on the Fern Cinnabar claims by a drilling program which is subject to revision at an estimated total cost of $19,660.

Inasmuch as the property is in an area favorable for mercury mineralization, an exploration program may be warranted.

Although Weissenborn has stated that an examination of the property will be attempted the week of April 28, it is recommended that the examination be referred to the Field Team for appropriate action.

J. W. Pennington

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

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

April 29, 1958

Mr. T. R. Baugh
3620 Sycamore Drive
Boise, Idaho

Subject: DMEA-4993

Dear Mr. Baugh:

Your application for exploration assistance, dated April 20, 1958 submitted to our office at Spokane, Washington has been assigned Docket Number DMEA-4993 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.

EXPLORATION PROJECT CONTRACT
T. R. BAUGH
DMEA - 4993

JUSTIFICATION FOR RESCISSION

The date for writing contracts under Defense Minerals Exploration Administration expired as of June 30, 1958, and as an examination could not be completed before this date due to snow conditions, the contract was written and executed on the basis of report on adjoining property and private reports with the proviso that work would be subject to an examination by the Field Team and approval of same. Some additional work was done by the Applicant prior to Field Team examination and after the examination it was agreed with the Operator that the work provided for in the Contract was not warranted and rescission of the Contract was recommended.

EXPLORATION PROJECT CONTRACT
T. R. BAUGH
DMEA - 4993

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DMEA - 4993

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DMEA - 4993

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EXPLORATION PROJECT CONTRACT
T. R. BAUGH
DMEA - 4993

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EXPLORATION PROJECT CONTRACT
T. R. BAUGH
DMEA - 4993

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Extra copy

RESCISSION OF EXPLORATION PROJECT CONTRACT
BY AGREEMENT BEFORE WORK IS BEGUN

It is agreed this 29th day of August, 1958, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and T. R. Baugh, of Boise, Idaho, parties to that certain Exploration Project Contract No. Idm-E1217 (Docket No. DMEA-4993), dated June 23, 1958, hereinafter called the "Contract," that the Contract shall be and is hereby rescinded, revoked, and cancelled as of June 23, 1958, before any work has been performed or costs incurred thereunder, without any obligation whatever, one party to the other, the same as if said Contract had never been entered into.

Witness the following signatures as of the day and year first above written.

THE UNITED STATES OF AMERICA

C. O. Mittendorf

By _____
Administrator, Defense Minerals
Exploration Administration

_____
T. R. Baugh

MF-[illegible]
(Combines and supersedes MF-201 and MF-203)
April 1956

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator T.R. Bough
Docket No. DMEA-4993
Contract No. Idm-8
Contract Date

[illegible] TO LEASE
and
[illegible] /a/

To the United States of America:

Referring to that certain land in the County of Valley
/a/ [illegible]
/a/ [illegible] described [illegible] in a deed dated 25th of May, [illegible]
/a/ [illegible] and recorded [illegible] 50 of Deeds on page 536 official records of said County,
/a/ [illegible]
/a/ [illegible]

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty as diminished as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land or any production therefrom to the rights of the Government under the contract [illegible] or production and liens in manner aforesaid;

4. Represents and understands that [illegible] to be claim, [illegible] or encumbrance [illegible] the land's title, title, claim, or interest in or against the land other than the [illegible] lease, the grant "lease." [illegible] Blank.)

[illegible] lease and option to T. R. [illegible] dated October 1, 1956, recorded [illegible]

[illegible], covering all of said land [illegible] and taxes for 1957 not yet [illegible]

[illegible] production from the land in the [illegible], and in the absence of [illegible] subject to any rights in the Government.

/a/ Insert (a) insert the legal description of the land, or the [illegible] and insert "in a lease [or contract, deed, or other document] dated _____ and recorded in Book _____, Page _____, official records of said county." If [illegible] is used, the Book and page of recordation cannot be dispensed with. If the space provid[illegible] insufficient, use an Annex, and refer to the Annex in the space.

Extra copies

8. Undertakes and agrees (a) neither to [illegible] with the provisions of this Agreement; and (b) to give advance notice of [illegible] under this Agreement to any subsequent transferee, mortgagee, encumbrancer, [illegible] undersigned's right, title, claim, or interest in or against the land, [illegible] furnishing the Government with two copies of such notice; and

9. Consents to all amendments (including an agreement of termination) [illegible] without further consent, and [illegible] and agrees that this Agreement [illegible]

[illegible]

(Seal) Twin Falls, Idaho

(Seal) Twin Falls, Idaho

(Seal) Twin Falls, Idaho

(Seal) [illegible]

(Seal) [illegible]

(Seal) [illegible]

[illegible] Secretary, etc.) of the corporation named [illegible] who signed this agreement was then [illegible] of said corporation; that said agreement was duly signed for [illegible] by authority of its governing body, and is within the scope [illegible]

(Corporate Seal)

For Government's Use Only

Referring to

Idaho

and recorded in

ection there is no

the words "as follows"

records of said county." If (b)

is used, the book and page of recordation cannot be dispensed with. If the space provided is insufficient, use an Annex, and refer to the Annex in the space.

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: none (State "None" or "See Annex No. ___")

Dated this 22nd. day of May, 1968.

/s/ George W. Warberg [Seal] Twin Falls, Idaho [Address]

/s/ Ethel S. Warberg [Seal] Twin Falls, Idaho [Address]

/s/ Rob't M. Warberg [Seal] Twin Falls, Idaho [Address]

/s/ Zelma A. Warberg [Seal] Twin Falls, Idaho [Address]

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

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

_____

[Corporate Seal]

MF-205
(Combines and supercedes MF-201 and MF-203)
June 1956

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator T.R. Baugh
Docket No. DMEA- 4993
Contract No. Idm-E
Contract Date

RECEIVED
MAY 28 1958
D.M.E.A.

CONSENT TO LIEN and SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of Valley, State of Idaho, described ~~as follows~~ 2/ in a deed dated 24th. of May, 1955, and recorded in Book 30 of Deeds on page 536 official records of said County.

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

(a) Mining Lease and Option to T. R. Baugh dated October 1, 1956, Amended October 16, 1957, covering all of said land (b) and taxes for 1957 not yet billed.

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

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

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: none (State "None" or "See Annex No.____")

Dated this 22nd. day of May, 1958.

Geo. W. Warberg	[Seal]	Twin Falls, Idaho	[Address]
Ethel S. Warberg	[Seal]	Twin Falls, Idaho	[Address]
Robert M. Warberg	[Seal]	Twin Falls, Idaho	[Address]
Zelma A. Warberg	[Seal]	Twin Falls, Idaho	[Address]
	[Seal]		[Address]
	[Seal]		[Address]

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

_____

[Corporate Seal]

MF-205
(Combines and supercedes MF-201 and MF-203)
June 1956

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator T.R. Baugh
Docket No. DMEA- 4993
Contract No. Idm-E
Contract Date

RECEIVED
MAY 28 1958
D.M.E.A.

CONSENT TO LIEN and SUBORDINATION AGREEMENT 1/

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Referring to that certain land in the County of Valley, State of Idaho, ~~described as follows:~~ 2/ in a deed dated 24th. of May, 1955, and recorded in Book 30 of Deeds on page 536 official records of said County.

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

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6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: none (State "None" or "See Annex No.____")

Dated this 22nd. day of May, 1958.

Geo. W. Warberg	[Seal]	Twin Falls, Idaho	[Address]
x Ethel S. Warberg	[Seal]	Twin Falls, Idaho	[Address]
Robt M. Warberg	[Seal]	Twin Falls, Idaho	[Address]
Zelma A. Warberg	[Seal]	Twin Falls, Idaho	[Address]
	[Seal]		[Address]
	[Seal]		[Address]

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[Corporate Seal]

MF-205
(Combines and supercedes MF-201 and MF-203)
June 1956

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator T. R. Baugh
Docket No. DMEA- 4993
Contract No. Idm-E
Contract Date

RECEIVED
MAY 28 1958
D.M.E.A.

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and
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_____

[Corporate Seal]

Prepared for DMEA
Application Repoir

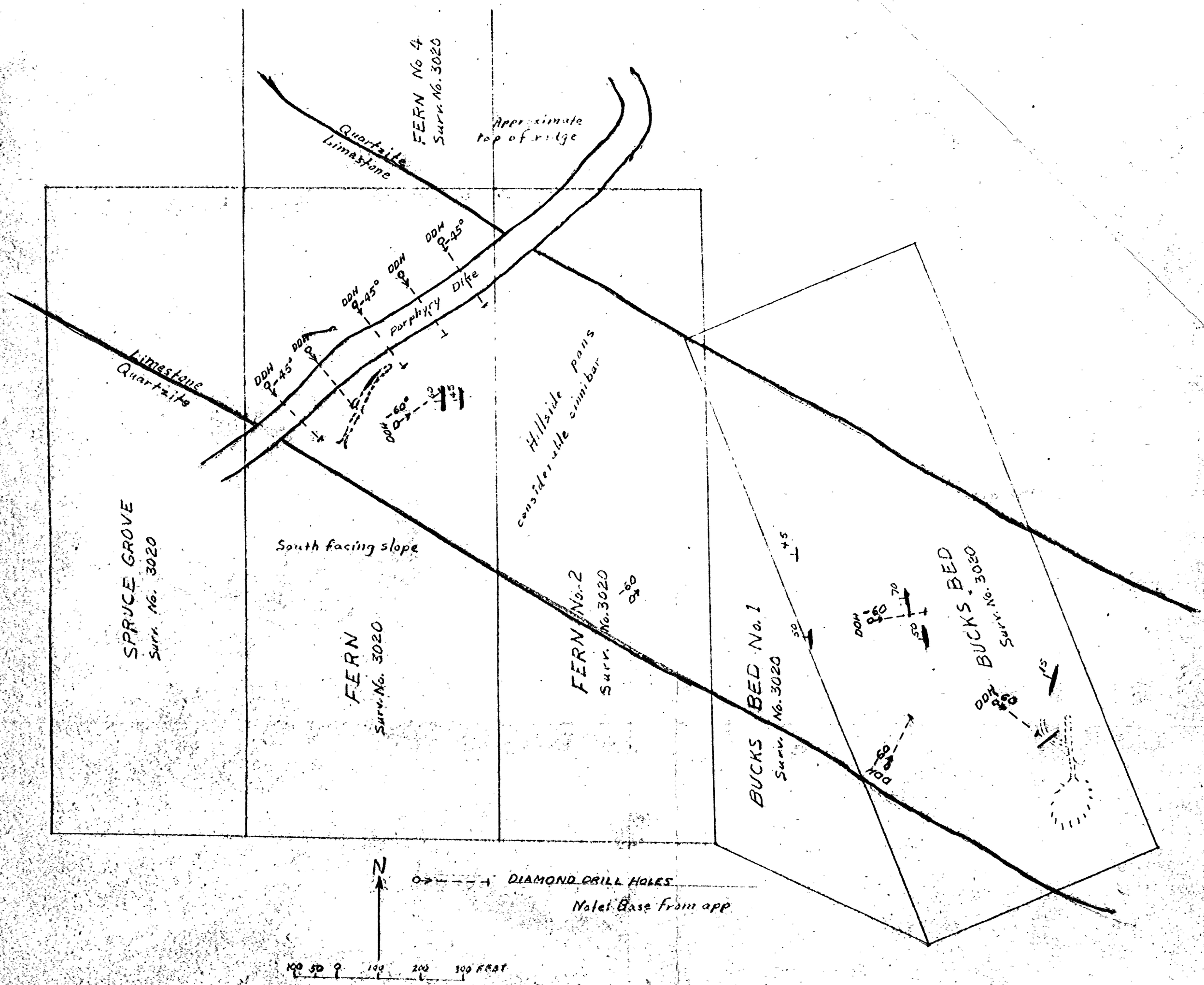

Plate I. Geologic Map of the Fern group
showing proposed drillhole locations,
T.A. Baugh, Valley County, Idaho
May 23, 1958

Prepared for DMEA
Application Report

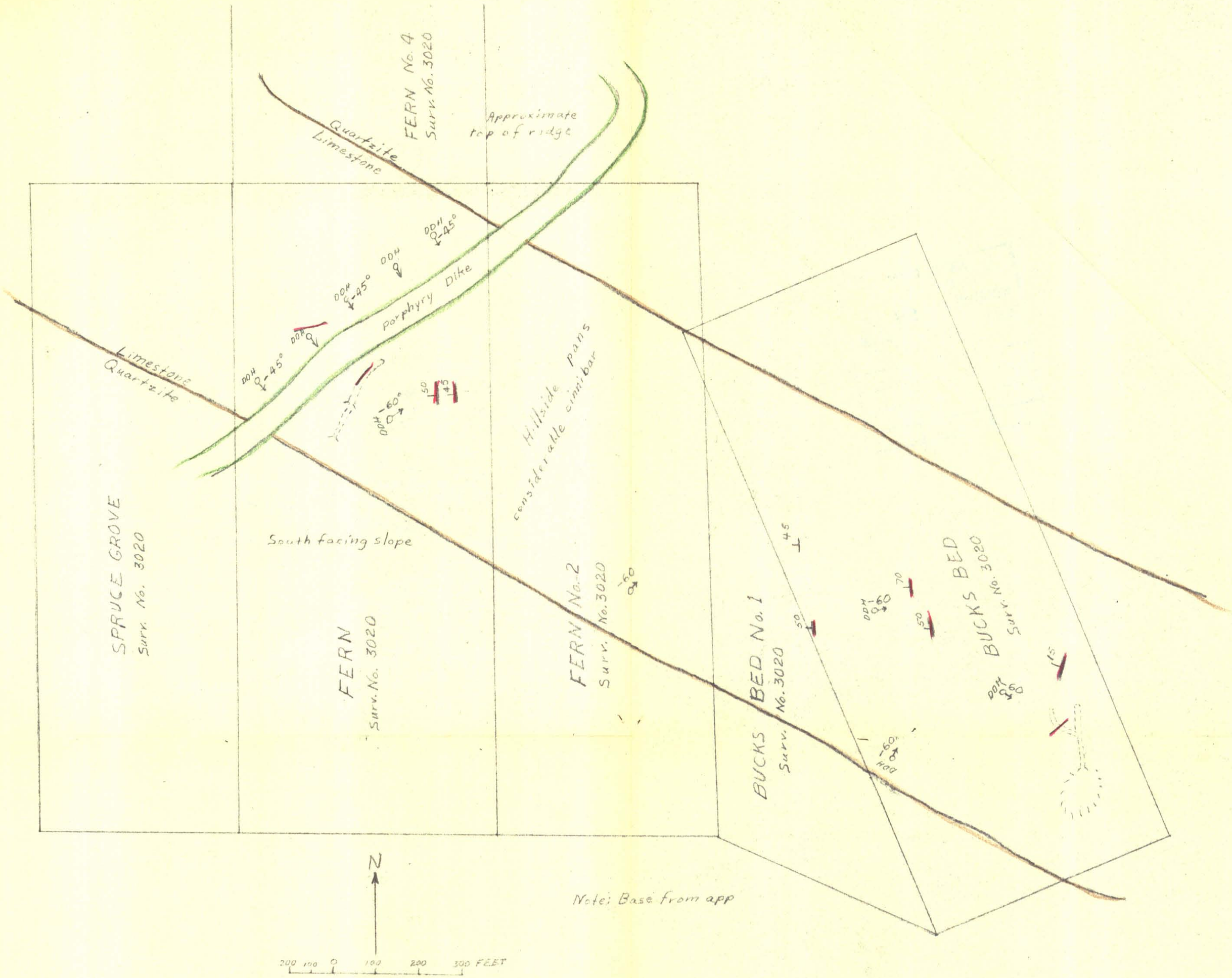

Plate I. Geologic Map of the Fern group showing proposed drillhole locations, T.A. Baugh, Valley County, Idaho
May 23, 1958