OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Washington office pertaining to Contract Idm-E759, Docket DMEA-3385 (lead-zinc-copper), dated November 22, 1954, with

Elkhorn Consolidated, Inc.
26 West 6th Avenue
Helena, Montana

for the purpose of determining the amount of royalty payable to the U. S. Government on sales of minerals from property referred to as the Dumstone Mine located in Jefferson County, Montana, during the period September 9, 1959, through August 2, 1962.

In accordance with Article 11 of the contract, royalty is payable on all minerals produced from outside the land described in Article 2 and transported through any workings described in Exhibit "A" of the contract for a period of 10 years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first. A Report of Review dated May 16, 1956, indicated accepted costs under the exploration contract amounting to $11,593.00 with the Government's contribution on a 50 percent basis being $5,796.50.

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

This review established no sales subject to the Government's royalty subsequent to the period covered by a prior Report of Royalty Review which also found no sales subject to the Government's royalty through September 8, 1959. Accordingly, as of August 2, 1962, the royalty account of this project was found to be:

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

E. D. Talbert, OME Auditor

August 8, 1962

Idm-E739 Elkhorn Consolidated, Inc. DMRA-3385

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

No certification of discovery or development was issued under this contract; however, Article 11 of the contract provides that, regardless of such certification and regardless of whether it has any interest in the production, the Operator shall pay to the Government a percentage royalty on all minerals produced outside the land under the contract and transported through any workings described in the contract. The land under the contract is the Dunstone patented claim, leased by the Operator on July 18, 1953, from S. C. and Marjorie Kennett. The workings described in the contract are an extension of a shaft to the 210-foot level and 600 feet of crosscuts and drift on the 210-foot level, but the work actually performed consisted of extending the shaft to the 204-foot level and 199 feet of crosscutting and drifting on the 200-foot level.

Exploration work under the contract was discontinued during August 1955. A termination agreement effective October 1, 1955, was executed on January 4, 1956. As this agreement did not expressly preserve the Government's right to royalty under the aforementioned Article 11 of the contract, any claim for such royalty may be unenforceable.

The files indicate that the Operator abandoned the property after discontinuance of the exploration work and that during 1960 Klondyke Gold Mines, Inc., P. O. Box 52, Boulder, Montana, was considering lease of the claim. In a letter dated May 20, 1960, Klondyke stated "if our work requires consideration of the obligation incurred by Elkhorn Consolidated, Inc., we will be glad to meet the requirements relating to the Government's interest"; however, the files contain no further information on this prospective lease.

Examinations of the property and inquiries disclosed no transportation of production through the contract workings from the date of the contract through the period covered by a prior Report of Royalty Review. In an August 2, 1962, reply to a MME Form 65 inquiry the Operator stated that since September 8, 1959, no production has been transported through DMEA workings.

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

(1) The files indicate that no production subject to royalty under the contract has been made during the period covered by this review; and
(2) The administrative cost to the Government of an on-site royalty audit at this time would be excessive in relation to the amount of possible royalty which might be disclosed.

So. 157 Howard Street
Spokane 4, Washington
August 27, 1962

Memorandum

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

From: Acting Field Officer, Region I

Subject: DMEA-3385 (Lead-Zinc-Copper)
Elkhorn Consolidated, Inc.
Dunstone Mine
Jefferson County, Montana
Contract Idm-2739

The original of a Report of Royalty Review dated August 8, 1962, covering the subject contract for the period September 9, 1959, through August 2, 1962, is enclosed.

One copy of the report has been retained in the Regional Office files. Since the report is for record purposes only, no copy was provided for the Operator.

Margaret Yourt for
D. R. MacLaren

Enclosure

MYourtmy
cc: CAbA Div., OMB
OMB, CPF
Reading copies to:
Nelson
McKelvey

August 9, 1962

Memorandum

To: Acting Field Officer, Region I

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

Subject: DMEA-3385 (Lead-Zinc-Copper)
Elkhorn Consolidated, Inc.
Dunstone Mine
Jefferson County, Montana
Contract Idm-8739

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

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

(b) One copy for your files.

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

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

Enclosures

EDTalbert/ama 8-8-62

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

(Docket No.

Gentlemen:

This is to acknowledge and thank you for your [illegible] to the Government's contingent interest in [illegible] which adjoins the Sunstone Mining Claim in the [illegible] of Jefferson County, Montana.

We will keep in touch with your office as our exploration [illegible] proceeds and if our work requires consideration of the [illegible] by Elkhorn Consolidated, Inc., we will be glad to [illegible] relating to the Government's interest.

It is possible that a little later, we may request a Lease [illegible] on the Sunstone Claim and in such event, we of course will [illegible] the Government's interest as it exists as of this time. [illegible], ores may be developed by further consideration of geologic [illegible] and these factors I would like to invite to your attention [illegible] time.

Sincerely yours,

KLONDYKE GOLD MINES, INC.

Wade V. Lewis, Secretary

WVL/mjs

EXTRA COPY
O. M. E.
RECEIVED MAY 19 1960

DATE	INITIALS	CODE
		800

So. 157 Howard Street
Spokane 4, Washington
May 16, 1960

Mr. Wade V. Lewis
P. O. Box 52
Boulder, Montana

Re: Docket No. DMEA-3585 (Lead-Zinc-Copper)
Elkhorn Consolidated, Inc.
Dunstone Mine
Jefferson County, Montana
Contract No. Idm-E739

Dear Mr. Lewis:

Thank you for your telephone call of this morning relating to your plans to develop the Klondike claims, possibly using the DMEA workings on the Dunstone claim for that purpose.

In the above referenced contract, Article 11, Changes and added provisions, state:

> "Regardless of whether a Certification or Discovery or Development is made and regardless of whether the Operator is the producer or has any interest in the production, it shall pay a royalty as provided in Article 7 on all minerals mined and produced outside the land described in Article 2 (i.e., the Dunstone Quartz Lode mining claim, Survey No. 2559) and transported through any workings described in Exhibit "A" (i.e., the shaft and drift driven with DMEA assistance), until the total amount contributed by the Government under the contract has been paid or 10 years have elapsed from the date of the contract."

The date of the contract is November 22, 1954, and as you know, the Government's contribution was $5,796.50.

As a discovery or development was not certified, no royalty on any ore produced from within the boundaries of the Dunstone claim is due the Government. However, under the provisions of Article 11 quoted above, royalty is due on any ore mined from outside the Dunstone claim if it is transported through the drift and/or shaft which were driven with DMEA assistance.

Regarding the computation of royalty there is enclosed part of the standard contract form revised since the form used for the referenced contract. I have made ink additions and deletions which make this form correspond to the one used.

If I may be of further help to you, please do not hesitate to let me know.

Sincerely yours,

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

Enclosure
cc: OME(3)
USBM
DRP
CMF

Note

Re. Field Team's letter April 14, 1958, to S. C. Kennett.

Termination Agreement dated January 4, 1956, appears to have released the Operator (Elkhorn Consolidated, Inc.) from any liability under Article 11 of the contract. Rulings by the Solicitor's office in connection with other contracts have stated that when the Operator is released the Landowner is also released as his obligation is predicated on the obligation of the Operator.

Apparently the Government does not have a valid lien for royalty on the value of any production from without the boundaries of the property but transported through workings to the cost of which the Government has contributed.

C. E. Fisher 9/3/59

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Office of Minerals Exploration, Washington, D. C., pertaining to Contract No. Idm-E739, Docket No. DMEA-3385 (Lead-Zinc-Copper), dated November 22, 1954, with

Elkhorn Consolidated, Inc.
26 West 6th Avenue
Helena, Montana

for the purpose of determining the amount of royalty due the U. S. Government on production of minerals transported through property referred to as Dunstone Mine located in Jefferson County, Montana, during the period November 22, 1954, through September 8, 1959.

In accordance with Article 11 of the contract royalty is payable on all minerals mined or produced outside the land described in Article 2 and transported through any workings described in Exhibit "A" of the contract for a period of 10 years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first. A Report of Review in lieu of final cost audit dated May 16, 1956, indicated accepted costs under the exploration contract amounting to $11,593.00 with the Government's contribution, on a 50 percent basis, being $5,796.50.

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

(1) Investigations by representatives of the Field Team, Region I, indicate that there has not been any production transported through any workings described in Exhibit "A"; and

(2) The administrative cost to the Government of an on-site royalty audit at this time would be excessive in relation to the amount of possible royalty which might be disclosed.

The review indicated that there have not been any minerals produced and transported through any workings described in Exhibit "A" since November 22, 1954, and no royalty is due the Government.

C. E. Fisher
C. E. Fisher, OME Auditor

October 21, 1959

MME Form 22
April 59

DEPARTMENT OF THE INTERIOR
Office of Minerals Exploration

CHECK SHEET OF EXAMINING ENGINEER

Operator's Name Elkhorn Consolidated, Inc.

Address Box 317

Helena, Montana

Exploration Contract No. Idm-E739 Docket No. DMEA-3385

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

Property inactive.

September 8, 1959
Date

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

53362

EXTRA COPY

RECEIVED 18 1958

DATE CODE

So. 157 Howard Street
Spokane 4, Washington

April 14, 1958

Mr. S. C. Kennett
Box 317
Helena, Montana

Re: Docket No. DMEA-3385 (Lead-Zinc-Copper)
Elkhorn Consolidated, Inc.
Dunstone Mine
Jefferson County, Montana
Contract No. Idm-E739

Dear Mr. Kennett:

This is in reply to your letter of April 10, 1958, and in further reference to your letter of March 13, 1958, in which you ask for certain information pertinent to the Government's claim to royalty from the Dunstone mine.

According to our auditor's final Report of Review dated May 16, 1956, a copy of which was sent to the Operator, Mr. Paul Smith, on July 9, 1956, the total accepted cost of the project is $11,593.00, of which the Government paid 50 percent or $5,796.50. No certification of discovery or development was made within the allotted time and, therefore, no royalty is due on production from the land described in Section 2 and Annex I of the contract and in the Owner's Consent to Lien which you signed. This land comprises the Dunstone Quartz Lode mining claim, Survey No. 2359.

As Elkhorn Consolidated, Inc. may not have turned over to you their copy of the DMEA contract, we quote in full for your information Article 11, Changes and added provisions:

> "Regardless of whether a Certification of Discovery or Development is made and regardless of whether the Operator is the producer or has any interest in the production, it shall pay a royalty as provided in Article 7 on all minerals mined and produced outside the land described in Article 2 and transported through any workings described in Exhibit "A", until the total amount contributed by the Government under the contract has been paid or 10 years have elapsed from the date of the contract."

To summarize, no royalty is due from any production that might come from ore mined within the vertical boundaries of the Dunstone claim. Royalty will be due from any ore mined outside of the Dunstone claim and transported through any of the workings driven with DMEA aid until the sum of $5,796.50 has been repaid or until November 22, 1964, whichever occurs first. The Operator, Elkhorn Consolidated, Inc., is primarily responsible for the payment of royalty. However, since the claim has reverted to you, the responsibility for payment is yours because of the Owner's Consent to Lien.

Regarding the royalty scale we are enclosing a standard contract form and call your attention especially to Article 6(d) and Article 7(c), (d), (e), (f), and (n). Royalty checks should be made payable to Defense Minerals Exploration Administration and mailed to A. E. Weissenborn, Executive Officer, DMEA Field Team, Region I, South 157 Howard Street, Spokane 4, Washington, and should be accompanied by three copies of settlement sheets covering the shipments on which the payment is based.

There is no requirement that the Government approve any lease you wish to give.

If you wish any further information, please do not hesitate to advise us.

By Field Team, Region I

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

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

Enclosure

cc: DMEA (3) w/3 copies of incoming
USBM (2) w/2 " " "
USBM (AD) w/copy " "
Turner
CPF

al
USAM
AD
DMEA

4/11

Helena, Montana
April 10, 1958

Re: Docket DMEA-3385
Elkhorn Consolidated, Inc.
Dunstone Mine
Contract Idm-E739

United States Department of the Interior
So. 157 Howard Street
Spokane (4) Washington

RECEIVED 18
DATE
CODE

Gentlemen:

In your letter of April 8th it is indicated that there is a lien on the Dunstone property. The lease that I was working on fell through but there is a likelyhood that another lease may develop - I hope, so no harm has been done because of your information in the letter of March 21st.

To get back to the information I requested and still want: How much is the lien? Does interest accumulate or is only the principal involved? I was told when in Butte several years ago that the royalty to be paid to the government in making the repayment is on a sliding scale and I belive it runs up to 5%. Will you give me the scale which which, I beleive, is based on the grade of ore and increases with the value? I would want to provide for proper payments in case the property is leased.

Another thing I want to be sure of: You say that the royalty is payable on all minerals produced outside the land covered in the contract, if transported through the facilities opened up by the government. That is clear but are royalties payable on any ore produced on the Dunstone itself. There is still about 400 feet of ground that has not been crosscut and there is a possibility that it may e diamond drilled, if leased. The potential lessees are primarily interested in adjoining claims to be worked through the Dunstone or at least drilled from the bottom of the shaft. I would wish to be sure about royalty payments on any ore from the Dunstone itself. No doubt the same scale would apply if payments would be due.

Yours very truly,

S. C. Kennett

Box 317

EXTRA COPY
DIST
RECEIVED
DATE | CODE
XCC

So. 157 Howard Street
Spokane 4, Washington

April 8, 1958

Mr. S. C. Kennett
Box 317
Helena, Montana

Re: Docket No. DMEA-3385 (Lead-Zinc-Copper)
Elkhorn Consolidated, Inc.
Dunstone Mine
Jefferson County, Montana
Contract No. Idm-E739

Dear Mr. Kennett:

This is in further reference to your letter of March 13, 1958, and our reply of March 21, 1958.

We have been advised by our Washington office that the statement we made in our letter "Since no discovery was certified there is no Government lien on the property and no obligation on your part to pay royalties on production" is not entirely correct.

Article 11 of the contract requires the payment to the Government of the percentage royalty on all minerals produced outside of the land covered by the Owner's Consent to Lien but transported through any workings described in Exhibit A of the contract; that is the workings that were opened up with Government assistance. Whether or not a discovery or development was made, this royalty requirement is effective until November 22, 1964 or until the Government's contribution has been repaid.

Therefore, if you lease or sell the Dunstone property, you should see that the terms of the lease or sale requires the lessee or buyer to pay any royalty that may become due the Government. Without such a clause you would be responsible for the royalty payment.

We regret that our letter of March 21 was incorrect and hope we have caused you no inconvenience.

By Field Team, Region I

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

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

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

MAR 28 1958

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

Re: Docket No. DMEA-3385 (Lead-Zinc-Copper)
Kilhenn Consolidated, Inc.
Dunstone Mine
Jefferson County, Montana
Contract No. Idm-8799

Dear Mr. Weissenborn:

By letter of March 21 you advised Mr. S. C. Kennett, a co-signer of the Owner's Consent to Lien on the property under the referenced contract, that the Government retained no lien on the property and there was no obligation for payment of royalty. This advice is not entirely correct.

Article 11 of the contract requires the payment to the Government of the percentage royalty on all minerals produced outside of the land covered by the Owner's Consent to Lien but transported through any workings described in Exhibit "A" of the contract. This requirement is effective, regardless of certification of discovery or development, until November 22, 1964, or the total contribution by the Government has been repaid.

Please amend your advice to the Operator accordingly.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

P. F. Yopes

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

Copy to: Docket
Admr. Reading File
Operating Committee
Mr. Kiilsgaard, USGS
Mr. Bishop, USBM
Mr. Chambers

EDTalbert/ama
March 28, 1958

EXTRA COPY
DMEA
RECEIVED MAR 27 1958

DATE	INITIALS	CODE

1201 N. Division St.
Spokane 2, Washington

March 21, 1958

Mr. S. C. Kennett
Box 317
Helena, Montana

Re: Docket No. DMEA-3385 (lead-zinc-copper)
Elkhorn Consolidated, Inc.
Dunstone Mine
Jefferson County, Montana
Contract No. Idm-X739

Dear Mr. Kennett:

This is in reply to your letter of March 13, 1958, concerning a possible Government lien on the Dunstone claim as a result of exploration work done under the cited contract.

The exploration work at the mine did not disclose significant copper, lead or zinc mineralization; consequently, the Government did not certify a discovery.

Since no discovery was certified there is no Government lien on the property and no obligation on your part to pay royalties on production.

You are free to lease or sell your property without Government approval.

By Field Team, Region I

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

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

cc: DMEA (2)
USGS
Docket
Df

Helena, Montana
March 13, 1958

U. S. Bureau of Mines
c/o School of Mines
Butte, Montana

Gentlemen:

Several years ago I leased the Dunstone mining claim, located at Elkhorn, to Herb Carver et al and his company secured a government loan to develop the property. The operators didn't have any luck so they dropped the project. I believe that the Government still has a lien on the property.

I have a chance to lease the Dunstone again and would like to have a little information as to procedure.

1st. How much does the lien amount to?

2nd. Will the Government have to approve the lease?

3rd. In paying off the lien I believe there is a sliding scale for royalty payments based on the value of the ore extracted. What is the schedule? Are those royalty payments made by the smelter? Are they based on the net after smelting and transportation charges are deducted?

Please list any other requirements, conditions etc. and, of course, any other items for the good of the order will be appreciated.

Yours truly,

Box 5[illegible]

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

RECEIVED
MAY 18 1956

Elkhorn Consolidated, Inc.
Helena, Montana

pertaining to Exploration Project Contract No. Idm-E739, Docket No. DMEA 3385, dated November 22, 1954, including Amendment No. 1 and a Termination Agreement dated January 4, 1956 with an effective date of October 1, 1955, for the period of November 22, 1954 to October 1, 1955, covering a project for the exploration of lead, zinc, and copper on property, known as the Dunstone Mine, located in Jefferson County, State of Montana.

My review included an examination of the Monthly Reports (Forms MF-104) and supporting documents attached thereto, comparison of the costs claimed with the contract and pertinent schedules, consultation with the Government representative who visited and examined the project, and a determination of the reasonableness and propriety of the costs.

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

(a) All of the costs incurred were under a contract provision for payment by the Government on the basis of fixed unit costs of units of work actually performed.

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

Total Cost as billed by Contractor	$11,938.80
Exceptions (Schedule attached)	345.80
Total Accepted Cost	$11,593.00

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the Contractor by the Government in the amount of Five thousand seven hundred ninety six and 50/100 Dollars

--$5,796.50--

is considered valid and proper, provided that the Regional Executive Officer, the Administrator, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

C. A. Turner, Auditor

May 16, 1956

Schedule of Exceptions

Elkhorn Consolidated, Inc. DMEA 3385 Idm-E739

Operator's Final Form MF-104 dated Sept. 16, 1955

Stage 1					
Shaft	58'	@	$95.00	$5,510.00	
Drifting	200.9'	@	32.00	6,428.80	
Total					$11,938.80
Accepted Costs					
Stage 1					
Shaft	55'	@	$95.00	$5,225.00	
Drifting	199'	@	32.00	6,368.00	
Total					11,593.00
Disallowances					
Stage 1					
Shaft	3'	@	$95.00	$ 285.00	
Drifting	1.9'	@	32.00	60.80	
Total Disallowance					$ 345.80

Disallowances were made of the footages claimed by the Operator in excess of the footages accomplished as shown by the final inspection report dated March 1, 1956.

C. A. Turner, Auditor

May 16, 1956.

Standard Form No. 1034a—Revised
Form prescribed by
Comptroller General, U. S.
September 7, 1950
(Gen. Reg. No. 51, Supp. No. 11)

PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL

D. O. Vou. No. .....

Bu. Vou. No. 1935

U. S. .....
(Department, bureau, or establishment)

Voucher prepared at ..... Spokane (Place) 2/1/57 (Date)

THE UNITED STATES, Dr., Payee's Account No. Idm-E739

To Elkhorn Consolidated, Inc. (Payee)

26 W. 6th Avenue, Helena, Montana (Address) (City) (State)

PAID BY

(For use of Paying Office)

No. and Date of Order	Date of Delivery or Service	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary) Discount Terms	QUANTITY	UNIT PRICE Cost	UNIT PRICE Per	AMOUNT Dollars	AMOUNT Cts.
	July 1 to Aug. 31, 1955	Amount withheld when payment was made on July 6, 1956, Voucher No. 1815,				200.00	
PAYMENT: Complete ☐ Partial ☐ Final ☐		FINAL PAYMENT					
		Use continuation sheet(s) if necessary					

Shipped from to Weight Government B/L No. Total

(Payee must NOT use this space) 200.00

Differences .....

Account verified; correct for .....

(Signature or initials) M.J.P. 200.00

Contract No. Date Req. No. Date Invoice Rec'd.

$200.00

MEMORANDUM

ACCOUNTING CLASSIFICATION (For completion by Administrative Office)

Appropriation, limitation, or project symbol	Appropriation title	Limit'n. or Proj't. Amount	Appropriation Amount

Allotment symbol	Amount	Obligations liquidated	COST ACCOUNT Symbol	COST ACCOUNT Amount	OBJECTIVE CLASSIFICATION Symbol	OBJECTIVE CLASSIFICATION Amount

Paid by { Check No. ..... dated ....., 19....., for $..... } on Treasurer of the United States in favor of payee named above.
{ Cash, $....., on ....., 19.....

16—22900a-2

METHOD OF OR ABSENCE OF ADVERTISING

METHOD OF ADVERTISING

1. Advertising in newspapers Yes ☐ No ☐.
2. (*a*) Advertising by circular letters sent to ..... dealers.
   (*b*) And by notices posted in public places Yes ☐ No ☐.

   (If notices were not posted in addition to advertising by circular letters sent to dealers, explanation of such omission must be made below.)

ABSENCE OF ADVERTISING

3. Without advertising, under an exigency of the service which existed prior to the order and would not admit of the delay incident to advertising.
4. Without advertising in accordance with .....
5. Without advertising, it being impracticable to secure competition because of .....

.....

.....

.....

.....

(Here state in detail the nature of the exigency or circumstances under which the securing of competition was impracticable under 3 and 4)

NOTE.—The above form "Method of or Absence of Advertising" is to be used when purchases are made or services secured under proper authority without written agreement in any form. In case of a written agreement (formal contract, proposal, and acceptance, or less formal agreement) Standard Form No. 1036—Revised should be used for abstracting the method of or absence of advertising and award of contract. (See General Regulations No. 51, as amended.)

☆ U. S. GOVERNMENT PRINTING OFFICE : 1950 O—75805

16—22000a-2

RECEIVED ☆ 13 15 1957 D.M.E.A.

xxxxxxxxxxxxxxxxx
1201 N. Division St.
Spokane 2, Washington

OFFICIAL FILE COPY DMEA RECEIVED FEB 15 1957		
DATE	INITIALS	CODE
2-15	C	220
	Com	100
		800

January 30, 1957

Mrs. Myrtle Purdy, Certifying Officer
DMEA Field Team, Region I, NW
1201 N. Division Street
Spokane 2, Washington

Re: Contract No. Idm-E739
Docket No. DMEA 3385 (lead-zinc-copper)
Elkhorn Consolidated
Dunstone, Mine, Jefferson County, Montana

Dear Mrs. Purdy:

Work completed under the contract was done to the satisfaction of the Government and the contract was terminated effective October 1, 1955. A final report evaluating the results of the exploration program has not been received from the Operator. However, it is felt that such a report would add very little to the information we already have on this project, and the requirement making necessary the submission of a final engineering report by the Operator is hereby waived.

The Government has no interest in supplies or equipment purchased for use on the project.

A Certification of Discovery will not be recommended by the Field Team.

A final Report of Review dated May 16, 1956 issued by DMEA Auditor C. A. Turner has been received.

As all contract requirements have been met, it is requested that final settlement of our account with the Operator be made.

Sincerely yours,

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

cc: DMEA (2)
USGS (2)
Contract Admin. (2)

Form MF-104 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of July 1 to Aug. 31, 1956 Docket No. DMEA 3305 Contract No. [illegible]
Operator's Name Kilborn Consolidated, Inc. Minerals [illegible]
Address 26 W. 6th Ave., Helena, Montana
Contract Amount, $6,110.00 Government Participation: 50 % Amount, $ 17,055.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts: Stage 1						
Drilling						
Bandoning	[illegible]	5,440.00	6,368.00	928.00	5440.00	6368.00
Prospecting						
Entry [illegible]	—	5,510.00	5,510.00	288.00	5510.00	5225.00
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	[illegible]	10,950.00	11,878.00	643.00	10950.00	11593.00

I certify that the above bill is correct and just and that payment therefor has not been received.

Date [illegible] Payee Kilborn Consolidated, Inc.

Per Paul W. Smith Title Secretary

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per [illegible]y," or "Treasurer," as the case may be.

NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

RECEIVED JUL 13 1956

(Instructions on reverse)

321.50
withheld 200.00
CK 121.50

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$ 121.50

Signature M.A.P.
(Authorized Certifying Officer)

Date 7-6-56 Vou. No. 1815
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E739 in accordance with the terms of the contract.

Signature 151 Eldon C. Pattee Title Mining Engr. Date 9-19-56

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature 151 Wing G. Agnew Title Acting Exec. Date 9-6-56

MONTHLY REPORT OF OPERATOR

The Operator (Contractor) of an exploration project is required to make a monthly report to the Government through the Regional Executive Officer. This report consists of three parts as follows:

(a) *Form MF-104—Operator's Monthly Report and Voucher.*—This form details expenditures and constitutes a voucher for reimbursing the Operator for the Government's share of costs;

(b) *Form MF-104A—Operator's Unit Cost and Progress Report.*—This is a statistical report of expenditures which shows costs for the various types of operation; and

(c) *Narrative.*—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered must be furnished as an attachment to this Report and Voucher. Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

The Monthly Report of Operator should be prepared in an original and four copies all of which must be sent to the Executive Officer of the Region not later than the 15th of the month following.

Preparation of Form MF-104—Operator's Monthly Report and Voucher.—All the applicable spaces in Form MF-104 should be filled in by the Operator, and the Operator or his agent should sign the certification in the lower left corner of the form.

The items of costs are arranged in the order they appear in Article 6 (a) of Form MF-200 (Revised February 1952), however, this form is readily adaptable for use in reporting activities under other contract forms.

Under Item (1) delete words "Short Form" if the contract is a sub-contract under Form MF-200; and delete word "Independent" if the contract reported is on Form MF-200 (A). Also, report work paid for on a unit basis under contract Form MF-200 as though it were performed under an independent contract.

Under Item (2) include labor, supervision and technical services incurred for the exploratory operations. Do not include labor, supervision and technical services used for work performed under items (5) and (6).

Under Item (3) include the costs of material and supplies used in the project other than that used under items (5) and (6).

Under Item (4) appear the three types of operating equipment expenditures, that is, rental, purchase and depreciation. The expenditures made for renting equipment belonging to a third party will be reported under "Rental". The amount paid or duly obligated for payment for the purchase of equipment will be reported under "Purchase". The amount of expenditures due the Operator to reimburse him for depreciation of equipment owned will be reported under "Depreciation".

Item (5) comprises costs of labor, supervision, technical services, materials, etc., which are used in the initial rehabilitation and repair of existing buildings, installations, fixtures, and equipment. These costs, therefore, should not be reported under items (2) and (3).

Item (6) includes the labor, supervision, technical services, materials, etc., used in the installation or construction of new buildings, fixed improvements, etc., necessary for the project. These costs, therefore, should not be reported under items (2) and (3).

Item (7) covers miscellaneous types of expenditure such as payroll taxes, liability insurance, workmen's compensation insurance, repairs to equipment and sampling and analysis. Only that part of payroll taxes, liability insurance and workmen's compensation which are paid by the operator should be reported under item (7). The share paid by the employee as a payroll deduction is to be included under item (2) as labor costs.

Item (8) includes any unforeseen costs not included in the other seven categories.

The original of Form MF-104 when submitted for reimbursable expenses incurred under contract Form MF-200 must be supported by original documentation or by certified copies of purchase orders, payrolls or transcripts of payrolls, unless such documentation has been waived by the Regional Executive Officer. This certification may be stated thus, "Certified True Copy (or Transcript)", followed by appropriate signature. If the Executive Officer of the Region determines that a contract under Form MF-200 should have an "on-site" audit, that is, a Government auditor should make an audit of the Operator's books and records of account, the Operator need not support his monthly voucher with original or certified documents except in cases of equipment purchases whose individual costs exceed $50.00. In these cases the original or a certified copy of the purchase order or invoice should be attached to the Monthly Voucher. N. B.—Only the *original* of Form MF-104 is required to be documented. The four copies of Form MF-104 are not to be thus supported.

Form MF-104 submitted for reimbursement under fixed price contracts on Form MF-200 (A), however, are not required to be supported by documentation of any kind. The Operator will submit his claim under item (1) of Form MF-104 by deleting as stated above the word "Independent" and by showing the number of feet or other units immediately after the appropriate descriptive word, such as, drilling, bulldozing, crosscutting, drifting, etc., and giving the "Monthly Total" amount due. "Totals Previously Reported", and "Totals to Date" columns should also be filled in.

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of July 1 to Aug. 31 1955 Docket No. DMEA 3385 Contract No. DM 3739

Operator's Name Elkhorn Consolidated, Inc.

Address 26 N. 6th Ave., Helena, Montana.

Minerals Lead-Zinc-Copper

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting Stage 1	Feet	928.00 ~~900.00~~	29 ~~30.9~~	6368.00 ~~6,428.00~~	199 ~~200.7~~	~~6,428.00~~	300'	9,600.00
Crosscutting								
Raising								
Shafts	Feet	285.00	3	5225.00 ~~5,510.00~~	55 ~~58~~	5,510.00	60'	5,700.00
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		~~900.00~~ 643.00		~~11,938.00~~ 11593.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		~~900.00~~ 643.00		~~11,938.00~~ 11593.00				26,110.00

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

REMARKS:

Date Sept. 16, 1955 Operator Elkhorn Consolidated, Inc.

Per Paul W. Smith Title Secretary

NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

(For Government use only)

/s/ Eldon C. Pattee

RECEIVED
JUL 13 1956

INSTRUCTIONS

Preparation of Form MF–104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better determine the progress of the project; and (2) to furnish more permanent information on mining costs for future use. The more important phases of operation on which permanent information is desired have been outlined in the form. There are blank lines, however, for those unusual phases which may need to be reported for a particular project. It will be necessary for the Operator to distribute his costs among the applicable phases reported with the exception of three items the costs of which are not to be distributed by the Operator. These three items are: "Operating Equipment Purchased", "Initial Rehabilitation and Repairs", and "New Buildings, Improvements, etc." The reason for not distributing these items on a monthly basis is doubtless clear to the Operator, since such distribution might well overstate the cost for any one month or period short of the entire contract period.

Form MF–104A has been designed to tie in with Form MF–104 for both monthly and cumulative costs. The "Total Costs" on Form MF–104A for each month should equal the monthly "Total Costs" as reported on Form MF–104. This is also true of the "Total Costs To Date".

In preparing Form MF–104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active for the month. Such distributions should be made on the basis of time spent on the various phases, on man days of labor charged to such phases, or on some other equitable basis. "Operating Equipment", "Initial Rehabilitation and Repairs", and "New Buildings Improvements, etc.", will be distributed to the several phases of the project by the Washington Office of DMEA at the close of the project if determined necessary. The last two columns headed "Authorized by Contract" will be filled in by the Operator if such information is found in the contract. This information is usually a part of Exhibit "A" of the contract. A space for remarks has been provided for the use of the Operator to call attention to any unusual circumstances causing excessive or disproportionate unit costs.

GPO 872894

Sept. 16, 1955

U. S. Bureau of Mines
c/o Montana School of Mines
Administration Building
Butte, Montana

Gentlemen:

Mr. Fields, who is the mining engineer for a Canadian company would like to diamond-drill from the shaft on the Sunstone. We think it is to our advantage to have him drill the property.

We are trying to make arrangements so that some representative for the Bureau of Mines can meet with Mr. Fields to talk the matter over.

We will let you know the developments and the time when it would be agreeable with Mr. Fields to get together.

Very truly yours,

/s/ Paul W. Smith

Cy 104a and
memorandum to W. 10/27/55

Copy

NOTE:

Our measurements of crosscutting and drifting totaled 199 feet on July 26, 1955. A total of 200.9 feet is claimed on this voucher. This differs from our measurement of July 26 by 1.9 feet. The next visit to the mine was August 8, 1955. At this time the mine was flooded and an examination of the workings could not be made. According to Mr. Giulio two rounds had been blasted in the drift since the inspection of July 26, 1955.

A total of 58 feet for shaft sinking has been vouchered, but the measurements on May 25, 1955 shows the shaft sinking under the contract to total 55 feet. The Bureau of Mines measurements were made to the top of the muck pile. The difference is probably due to the fact that when the crosscut was started muck fell into the shaft before the Bureau of Mines engineers made their examination.

The operators have pulled most of their equipment and apparently do not plan to do any more work under the contract.

/s/ Eldon C. Pattee

PAUL W. SMITH
DAVID R. SMITH
J. MILLER SMITH
CHADWICK H. SMITH
ATTORNEYS AT LAW

26 WEST SIXTH AVENUE
HELENA, MONTANA

2/3/25

August 2, 1955

U. S. Bureau of Mines
c/o Montana School of Mines
Administrative Building
Butte, Montana

Gentlemen:

At the Dunstone Mine near the Town of Elkhorn, they came to the B vein as shown on the map and at the intersections of the A and B veins there was no ore.

Mr. Steve Giulio, who has been doing the engineering on the project, is at the mine and is drilling with long steel drill for the purpose of ascertaining whether or not there is any ore which could have been by-passed. In the event that he does not find any ore it looks very much as though the project will be completed as Mr. Carver says if there is no ore found within that vein he does not care any longer to go ahead with the project.

Mr. Carver asked me to write to you to let you know that they have come to this intersection and they would like you to measure the working so that in the event that no ore is recovered that he will be able to pull his equipment and send in the final report to you for final settlement.

I understand that you may possibly have already measured the workings with Mr. Giulio but in the event that you have not already done so please go to the mine and measure so Mr. Carver can pull his pumps in the event no ore is found.

Very truly yours,

Paul W. Smith

PAUL W. SMITH

PWS/jh

xxxxxxxxxxxxxxxxxxx
1201 N. Division Street
Spokane 2, Washington
July 9, 1956

Mr. Paul W. Smith, Attorney
Smith Law Firm
26 West Sixth Avenue
Helena, Montana

Re: Docket No. DMEA-3385 (Lead-Zinc-Copper)
Dunstone Mine, Elkhorn Consolidated
Jefferson County, Montana
Contract No. Ida-E739

Dear Mr. Smith:

Enclosed for your information and files is a copy of a final Report of Review by DMEA Auditor, C. A. Turner, on the subject exploration project. Also enclosed is your copy of the final MF-104 submitted for payment.

Your attention is directed to our letter to you of May 15, 1956 wherein we remind you of the requirement regarding a final report from the operator and request that one be sent in. We also call to your attention the attached copy of a memorandum to the Field Team from the Certifying Officer, Region I. This explains the disallowance made and also mentions that an amount of $200.00 is being withheld pending receipt of your final report. We shall appreciate your prompt compliance with this contract requirement as we are anxious to close our records on this project and cannot make payment of the amount being withheld until an acceptable final report is received.

By Field Team, Region I, NW Dist.

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

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

cc: DMEA (2)
USGS (2)
Wash. (2)
JAB
AD

DMEA Field Team, Region I, NW District July 9, 1956

DMEA Certifying Officer, Region I

Docket No. DMEA 3385, Contract No. Idm-E739, Elkhorn Consolidated, Inc.
Final monthly operating report covering period July 1 to Aug. 31, 1955.

Enclosed is the operator's copy of the final MF-104 submitted for payment under the subject exploration contract.

The shaft sinking and drifting footages shown by the operator as having been accomplished under the contract are in excess of those given in the final inspection report by the project engineer; therefore, a disallowance of $345.80 has been made as follows:

3 ft. shaft sinking	at	$95.00	$285.00
1.9 ft. drifting	at	32.00	60.80
			$345.80

Total project costs approved by the final Report of Review by DMEA Auditor, C. A. Turner, are $11,593.00, and total payments to the operator by the Government are shown as $5,769.50. Prior to the audit review payments totaling $5,475.00 had been made to the operator, leaving a balance due of $321.50.

As you will note from the enclosed MF-104, an actual payment of $121.50 was made to the operator on July 6, 1956. An amount of $200.00 is being withheld pending receipt of a final operator's report summarizing and evaluating the work performed under the contract. Upon receipt of an acceptable report the $200.00 being withheld will be paid to the operator.

Myrtle Purdy

cc: Operator
DMEA (2)
USGS (2)
Wash. (2)
JAB
AD

Form MF-104 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.4
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S MONTHLY REPORT AND VOUCHER

RECEIVED

Month of June, 195[illegible] Docket No. DMEA [illegible] Contract No. [illegible]
Operator's Name [illegible] Minerals [illegible]
Address [illegible]
Contract Amount, $[illegible] Government Participation: 50 % Amount, $[illegible]

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing	[illegible]	[illegible]	[illegible]			
Crosscutting						
Drifting	[illegible]	[illegible]	[illegible]			
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	[illegible]	[illegible]	[illegible]	4160.00	6790.00	10950.00

I certify that the above bill is correct and just and that payment therefor has not been received.

Date [illegible] *Payee [illegible]

Per Paul W. Smith Title [illegible]

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$2080 00

Signature MGP
(Authorized Certifying Officer)

Date 7-13-55 Vou. No. 1556
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E739 in accordance with the terms of the contract.

Signature 1S1 John A Bowsher Title Mining Engr Date 7-7-55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature 1S1 Stephen W Zoldok Title Mining Engr Date 7-7-55

MONTHLY REPORT OF OPERATOR

The Operator (Contractor) of an exploration project is required to make a monthly report to the Government through the Regional Executive Officer. This report consists of three parts as follows:

(a) *Form MF-104—Operator's Monthly Report and Voucher.*—This form details expenditures and constitutes a voucher for reimbursing the Operator for the Government's share of costs;

(b) *Form MF-104A—Operator's Unit Cost and Progress Report.*—This is a statistical report of expenditures which shows costs for the various types of operation; and

(c) *Narrative.*—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered must be furnished as an attachment to this Report and Voucher. Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

The Monthly Report of Operator should be prepared in an original and four copies all of which must be sent to the Executive Officer of the Region not later than the 15th of the month following.

Preparation of Form MF-104—Operator's Monthly Report and Voucher.—All the applicable spaces in Form MF-104 should be filled in by the Operator, and the Operator or his agent should sign the certification in the lower left corner of the form.

The items of costs are arranged in the order they appear in Article 6 (a) of Form MF-200 (Revised February 1952), however, this form is readily adaptable for use in reporting activities under other contract forms.

Under Item (1) delete words "Short Form" if the contract is a sub-contract under Form MF-200; and delete word "Independent" if the contract reported is on Form MF-200 (A). Also, report work paid for on a unit basis under contract Form MF-200 as though it were performed under an independent contract.

Under Item (2) include labor, supervision and technical services incurred for the exploratory operations. Do not include labor, supervision and technical services used for work performed under items (5) and (6).

Under Item (3) include the costs of material and supplies used in the project other than that used under items (5) and (6).

Under Item (4) appear the three types of operating equipment expenditures, that is, rental, purchase and depreciation. The expenditures made for renting equipment belonging to a third party will be reported under "Rental". The amount paid or duly obligated for payment for the purchase of equipment will be reported under "Purchase". The amount of expenditures due the Operator to reimburse him for depreciation of equipment owned will be reported under "Depreciation".

Item (5) comprises costs of labor, supervision, technical services, materials, etc., which are used in the initial rehabilitation and repair of existing buildings, installations, fixtures, and equipment. These costs, therefore, should not be reported under items (2) and (3).

Item (6) includes the labor, supervision, technical services, materials, etc., used in the installation or construction of new buildings, fixed improvements, etc., necessary for the project. These costs, therefore, should not be reported under items (2) and (3).

Item (7) covers miscellaneous types of expenditure such as payroll taxes, liability insurance, workmen's compensation insurance, repairs to equipment and sampling and analysis. Only that part of payroll taxes, liability insurance and workmen's compensation which are paid by the operator should be reported under item (7). The share paid by the employee as a payroll deduction is to be included under item (2) as labor costs.

Item (8) includes any unforeseen costs not included in the other seven categories.

The original of Form MF-104 when submitted for reimbursable expenses incurred under contract Form MF-200 must be supported by original documentation or by certified copies of purchase orders, payrolls or transcripts of payrolls, unless such documentation has been waived by the Regional Executive Officer. This certification may be stated thus, "Certified True Copy (or Transcript)", followed by appropriate signature. If the Executive Officer of the Region determines that a contract under Form MF-200 should have an "on-site" audit, that is, a Government auditor should make an audit of the Operator's books and records of account, the Operator need not support his monthly voucher with original or certified documents except in cases of equipment purchases whose individual costs exceed $50.00. In these cases the original or a certified copy of the purchase order or invoice should be attached to the Monthly Voucher. N. B.—Only the *original* of Form MF-104 is required to be documented. The four copies of Form MF-104 are not to be thus supported.

Form MF-104 submitted for reimbursement under fixed price contracts on Form MF-200 (A), however, are not required to be supported by documentation of any kind. The Operator will submit his claim under item (1) of Form MF-104 by deleting as stated above the word "Independent" and by showing the number of feet or other units immediately after the appropriate descriptive word, such as, drilling, bulldozing, crosscutting, drifting, etc., and giving the "Monthly Total" amount due. "Totals Previously Reported", and "Totals to Date" columns should also be filled in.

GPO 83-38476

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.1
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED
JUL 1 6

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of June 1953 Docket No. DMEA 3365 Contract No. [illegible]
Operator's Name Hilborn Consolidated, Inc. Minerals Lead-Zinc-Copper
Address 25 N. 6th Ave., Helena, Montana.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting Level 1	Foot	$160.00	33'	$[illegible]	170	$[illegible]	300'	$[illegible]
Crosscutting								
Raising								
Shafts	Foot			$916.00	55'	$[illegible]	60'	$[illegible]
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		$160.00		$10,000.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		$160.00		$10,000.00				

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

Date July 2, 1953 Operator Hilborn Consolidated, Inc.
Per Paul V. Smith Title Secretary

REMARKS:

NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

(For Government use only)

/s/ John A Bowsher

INSTRUCTIONS

Preparation of Form MF-104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better determine the progress of the project; and (2) to furnish more permanent information on mining costs for future use. The more important phases of operation on which permanent information is desired have been outlined in the form. There are blank lines, however, for those unusual phases which may need to be reported for a particular project. It will be necessary for the Operator to distribute his costs among the applicable phases reported with the exception of three items the costs of which are not to be distributed by the Operator. These three items are: "Operating Equipment Purchased", "Initial Rehabilitation and Repairs", and "New Buildings, Improvements, etc." The reason for not distributing these items on a monthly basis is doubtless clear to the Operator, since such distribution might well overstate the cost for any one month or period short of the entire contract period.

Form MF-104A has been designed to tie in with Form MF-104 for both monthly and cumulative costs. The "Total Costs" on Form MF-104A for each month should equal the monthly "Total Costs" as reported on Form MF-104. This is also true of the "Total Costs To Date".

In preparing Form MF-104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active for the month. Such distributions should be made on the basis of time spent on the various phases, on man days of labor charged to such phases, or on some other equitable basis. "Operating Equipment", "Initial Rehabilitation and Repairs", and "New Buildings Improvements, etc.", will be distributed to the several phases of the project by the Washington Office of DMEA at the close of the project if determined necessary. The last two columns headed "Authorized by Contract" will be filled in by the Operator if such information is found in the contract. This information is usually a part of Exhibit "A" of the contract. A space for remarks has been provided for the use of the Operator to call attention to any unusual circumstances causing excessive or disproportionate unit costs.

GPO 83-38475

NARRATIVE REPORT

RECEIVED
JUL 13 1955

They completed the cross-cut to the north by reaching the A vein. There was a lot of coloring in the material in the A vein. They then drifted eastward along the A vein and reached the intersection of the A vein and the C vein about a week ago. When they blasted into the intersection they were flooded out by water which came into the drift and had to install larger pumps to handle the water situation.

In the meantime, they had a heavy storm at the mine and the snow and rain caused power trouble and together with the water in the mine and the water on the power lines, the last I heard they were still having trouble. I have not had an opportunity to talk with Mr. Carver since then.

Form MF-104 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S MONTHLY REPORT AND VOUCHER

RECEIVED
JUN 24 1955

Month of May, 1955 Docket No. DMEA 3365 Contract No. 1DM-00759
Operator's Name Elkhorn Consolidated, Inc. Minerals Lead-Zinc-Copper
Address 26 S. 6th Ave., Helena, Montana.
Contract Amount, $ 26,130.00 Government Participation: 50% Amount, $ 13,065.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form } Stage 1 Contracts:						
~~Drilling~~ Shifting						
~~Bulldozing~~ (15 @ 90.00)	450.00	800.00	1,250.00			
~~Crosscutting~~						
~~Drifting~~ Short (6 @ 885.00)	370.00	4,940.00	5,310.00			
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	1,050.00	5,740.00	6,790.00	1050.00	5740.00	6790.00

I certify that the above bill is correct and just and that payment therefor has not been received.

Date June 7, 1955 *Payee Elkhorn Consolidated, Inc.

Per [signature] Title Secretary.

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

→ NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$ 525.00

Signature MAP
(Authorized Certifying Officer)

Date 6-20-55 Vou. No. 1529
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. 6739 in accordance with the terms of the contract.

Signature /s/ Gideon A. Odell Title Mining Engr. Date 6-11-55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature /s/ Stephen W. Zoldok Title Mining Engr. Date 6-16-55

MONTHLY REPORT OF OPERATOR

The Operator (Contractor) of an exploration project is required to make a monthly report to the Government through the Regional Executive Officer. This report consists of three parts as follows:

(*a*) *Form MF-104—Operator's Monthly Report and Voucher.*—This form details expenditures and constitutes a voucher for reimbursing the Operator for the Government's share of costs;

(*b*) *Form MF-104A—Operator's Unit Cost and Progress Report.*—This is a statistical report of expenditures which shows costs for the various types of operation; and

(*c*) *Narrative.*—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered must be furnished as an attachment to this Report and Voucher. Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

The Monthly Report of Operator should be prepared in an original and four copies all of which must be sent to the Executive Officer of the Region not later than the 15th of the month following.

Preparation of Form MF-104—Operator's Monthly Report and Voucher.—All the applicable spaces in Form MF-104 should be filled in by the Operator, and the Operator or his agent should sign the certification in the lower left corner of the form.

The items of costs are arranged in the order they appear in Article 6 (a) of Form MF-200 (Revised February 1952), however, this form is readily adaptable for use in reporting activities under other contract forms.

Under Item (1) delete words "Short Form" if the contract is a sub-contract under Form MF-200; and delete word "Independent" if the contract reported is on Form MF-200 (A). Also, report work paid for on a unit basis under contract Form MF-200 as though it were performed under an independent contract.

Under Item (2) include labor, supervision and technical services incurred for the exploratory operations. Do not include labor, supervision and technical services used for work performed under items (5) and (6).

Under Item (3) include the costs of material and supplies used in the project other than that used under items (5) and (6).

Under Item (4) appear the three types of operating equipment expenditures, that is, rental, purchase and depreciation. The expenditures made for renting equipment belonging to a third party will be reported under "Rental". The amount paid or duly obligated for payment for the purchase of equipment will be reported under "Purchase". The amount of expenditures due the Operator to reimburse him for depreciation of equipment owned will be reported under "Depreciation".

Item (5) comprises costs of labor, supervision, technical services, materials, etc., which are used in the initial rehabilitation and repair of existing buildings, installations, fixtures, and equipment. These costs, therefore, should not be reported under items (2) and (3).

Item (6) includes the labor, supervision, technical services, materials, etc., used in the installation or construction of new buildings, fixed improvements, etc., necessary for the project. These costs, therefore, should not be reported under items (2) and (3).

Item (7) covers miscellaneous types of expenditure such as payroll taxes, liability insurance, workmen's compensation insurance, repairs to equipment and sampling and analysis. Only that part of payroll taxes, liability insurance and workmen's compensation which are paid by the operator should be reported under item (7). The share paid by the employee as a payroll deduction is to be included under item (2) as labor costs.

Item (8) includes any unforeseen costs not included in the other seven categories.

The original of Form MF-104 when submitted for reimbursable expenses incurred under contract Form MF-200 must be supported by original documentation or by certified copies of purchase orders, payrolls or transcripts of payrolls, unless such documentation has been waived by the Regional Executive Officer. This certification may be stated thus, "Certified True Copy (or Transcript)", followed by appropriate signature. If the Executive Officer of the Region determines that a contract under Form MF-200 should have an "on-site" audit, that is, a Government auditor should make an audit of the Operator's books and records of account, the Operator need not support his monthly voucher with original or certified documents except in cases of equipment purchases whose individual costs exceed $50.00. In these cases the original or a certified copy of the purchase order or invoice should be attached to the Monthly Voucher. N. B.—Only the *original* of Form MF-104 is required to be documented. The four copies of Form MF-104 are not to be thus supported.

Form MF-104 submitted for reimbursement under fixed price contracts on Form MF-200 (A), however, are not required to be supported by documentation of any kind. The Operator will submit his claim under item (1) of Form MF-104 by deleting as stated above the word "Independent" and by showing the number of feet or other units immediately after the appropriate descriptive word, such as, drilling, bulldozing, crosscutting, drifting, etc., and giving the "Monthly Total" amount due. "Totals Previously Reported", and "Totals to Date" columns should also be filled in.

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED
JUN 24 1955

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of May 1955 Docket No. DMEA 3389 Contract No. DMEA 6739
Operator's Name Elkhorn Consolidated, Inc. Minerals Lead-Zinc-Copper
Address 26 N. 6th Ave., Helena, Montana.

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting Stope 1	Feet	450.00	15'	1,250.00	40'	1,250.00	300'	32.00 ft ~~9,600.00~~
Crosscutting								
Raising								
Shafts	Feet	570.00	6'	5,510.00	58'	5,510.00	60'	95.00 ft ~~5,700.00~~
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Total Distributed Costs		1,020.00		6,790.00				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Total Costs		1,020.00		6,790.00				261,120.00

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

Date June 7, 1955 Operator Elkhorn Consolidated, Inc.

Per Paul V. Smith Title Secretary.

NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

Remarks:

(For Government use only)

Gideon A. Apell.

INSTRUCTIONS

Preparation of Form MF-104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better determine the progress of the project; and (2) to furnish more permanent information on mining costs for future use. The more important phases of operation on which permanent information is desired have been outlined in the form. There are blank lines, however, for those unusual phases which may need to be reported for a particular project. It will be necessary for the Operator to distribute his costs among the applicable phases reported with the exception of three items the costs of which are not to be distributed by the Operator. These three items are: "Operating Equipment Purchased", "Initial Rehabilitation and Repairs", and "New Buildings, Improvements, etc." The reason for not distributing these items on a monthly basis is doubtless clear to the Operator, since such distribution might well overstate the cost for any one month or period short of the entire contract period.

Form MF-104A has been designed to tie in with Form MF-104 for both monthly and cumulative costs. The "Total Costs" on Form MF-104A for each month should equal the monthly "Total Costs" as reported on Form MF-104. This is also true of the "Total Costs To Date".

In preparing Form MF-104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active for the month. Such distributions should be made on the basis of time spent on the various phases, on man days of labor charged to such phases, or on some other equitable basis. "Operating Equipment", "Initial Rehabilitation and Repairs", and "New Buildings Improvements, etc.", will be distributed to the several phases of the project by the Washington Office of DMEA at the close of the project if determined necessary. The last two columns headed "Authorized by Contract" will be filled in by the Operator if such information is found in the contract. This information is usually a part of Exhibit "A" of the contract. A space for remarks has been provided for the use of the Operator to call attention to any unusual circumstances causing excessive or disproportionate unit costs.

GPO 83-38475

RECEIVED
JUN 24 1955

NARRATIVE REPORT

Mr. Carver is now drifting to the North along the new fissure vein which he discovered. He ran into a very peculiar rock which seemed to be sort of rubbery. It was very difficult to drill this rock. Nobody seems to know what kind of rock it is except that it is in the lime formation. He found to make headway he had to put in more holes and then the rock seemed to break much better. He is making better headway now and thinks he can make at least six feet (6') a day.

Mr. Carver drilled a hole straight ahead. He thinks that he reached the Eastwest fissure in this drill hole. The formation seemed to change and he hit a little more water. He thinks he reached the fissure at about seventy feet (70') from the shaft.

At the foot of the shaft he made a station so that it would make the drifting easier from a working standpoint.

Fo[illegible]-104 (Rev.)
[illegible] 1952)

UNITED STATES
[illegible]PARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.

Defense Minerals Administration
RECEIVED
MAY 13 1955

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of April, 1955 Docket No. DMEA 3385 Contract No. [illegible]
Operator's Name Elkhorn Consolidated, Inc. Minerals Lo-Z-Zinc-Copper
Address 26 N. 5th Ave., Helena, Montana.
Contract Amount, $ 26,110.00 Government Participation: 50 % Amount, $ 13,055.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts: GRADE 1						
Drilling						
Holdsworth Drilling						
Mobilization (25' @ 32.00)	800.00	None	800.00			
Drilling Shaft (14' @ 95.00)	1,330.00	3,610.00	4,940.00			
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	2,130.00	3,610.00	5,740.00	2130.00	3610.00	5740.00

I certify that the above bill is correct and just and that payment therefor has not been received.

Date May 2, 1955 *Payee Elkhorn Consolidated, Inc.

Per [signature] Title Secretary

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

→ NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$ 1065.00

Signature [signature]
(Authorized Certifying Officer)

Date 5-10-55 Vou. No. 1506
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E139 in accordance with the terms of the contract.

Signature 1S1 Gideon A. Apell Title Mining Engr Date 5-9-55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature 1S1 Stephen W Zoldok Title Mining Engr Date 5-9-55

MONTHLY REPORT OF OPERATOR

The Operator (Contractor) of an exploration project is required to make a monthly report to the Government through the Regional Executive Officer. This report consists of three parts as follows:

(a) *Form MF-104—Operator's Monthly Report and Voucher.*—This form details expenditures and constitutes a voucher for reimbursing the Operator for the Government's share of costs;

(b) *Form MF-104A—Operator's Unit Cost and Progress Report.*—This is a statistical report of expenditures which shows costs for the various types of operation; and

(c) *Narrative.*—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered must be furnished as an attachment to this Report and Voucher. Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

The Monthly Report of Operator should be prepared in an original and four copies all of which must be sent to the Executive Officer of the Region not later than the 15th of the month following.

Preparation of Form MF-104—Operator's Monthly Report and Voucher.—All the applicable spaces in Form MF-104 should be filled in by the Operator, and the Operator or his agent should sign the certification in the lower left corner of the form.

The items of costs are arranged in the order they appear in Article 6 (a) of Form MF-200 (Revised February 1952), however, this form is readily adaptable for use in reporting activities under other contract forms.

Under Item (1) delete words "Short Form" if the contract is a sub-contract under Form MF-200; and delete word "Independent" if the contract reported is on Form MF-200 (A). Also, report work paid for on a unit basis under contract Form MF-200 as though it were performed under an independent contract.

Under Item (2) include labor, supervision and technical services incurred for the exploratory operations. Do not include labor, supervision and technical services used for work performed under items (5) and (6).

Under Item (3) include the costs of material and supplies used in the project other than that used under items (5) and (6).

Under Item (4) appear the three types of operating equipment expenditures, that is, rental, purchase and depreciation. The expenditures made for renting equipment belonging to a third party will be reported under "Rental". The amount paid or duly obligated for payment for the purchase of equipment will be reported under "Purchase". The amount of expenditures due the Operator to reimburse him for depreciation of equipment owned will be reported under "Depreciation".

Item (5) comprises costs of labor, supervision, technical services, materials, etc., which are used in the initial rehabilitation and repair of existing buildings, installations, fixtures, and equipment. These costs, therefore, should not be reported under items (2) and (3).

Item (6) includes the labor, supervision, technical services, materials, etc., used in the installation or construction of new buildings, fixed improvements, etc., necessary for the project. These costs, therefore, should not be reported under items (2) and (3).

Item (7) covers miscellaneous types of expenditure such as payroll taxes, liability insurance, workmen's compensation insurance, repairs to equipment and sampling and analysis. Only that part of payroll taxes, liability insurance and workmen's compensation which are paid by the operator should be reported under item (7). The share paid by the employee as a payroll deduction is to be included under item (2) as labor costs.

Item (8) includes any unforeseen costs not included in the other seven categories.

The original of Form MF-104 when submitted for reimbursable expenses incurred under contract Form MF-200 must be supported by original documentation or by certified copies of purchase orders, payrolls or transcripts of payrolls, unless such documentation has been waived by the Regional Executive Officer. This certification may be stated thus, "Certified True Copy (or Transcript)", followed by appropriate signature. If the Executive Officer of the Region determines that a contract under Form MF-200 should have an "on-site" audit, that is, a Government auditor should make an audit of the Operator's books and records of account, the Operator need not support his monthly voucher with original or certified documents except in cases of equipment purchases whose individual costs exceed $50.00. In these cases the original or a certified copy of the purchase order or invoice should be attached to the Monthly Voucher. N. B.—Only the *original* of Form MF-104 is required to be documented. The four copies of Form MF-104 are not to be thus supported.

Form MF-104 submitted for reimbursement under fixed price contracts on Form MF-200 (A), however, are not required to be supported by documentation of any kind. The Operator will submit his claim under item (1) of Form MF-104 by deleting as stated above the word "Independent" and by showing the number of feet or other units immediately after the appropriate descriptive word, such as, drilling, bulldozing, crosscutting, drifting, etc., and giving the "Monthly Total" amount due. "Totals Previously Reported", and "Totals to Date" columns should also be filled in.

GPO 83-38476

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Defense Minerals Administration
RECEIVED
MAY 13 1953

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of April, 1953 Docket No. DMEA 3385 Contract No. [illegible]
Operator's Name Kilborn Consolidated, Inc.
Address 26 W. 6th Ave., Helena, Montana.
Minerals Lead-Zinc-Copper

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting	Feet	800.00	25'	800.00	25'	32.00	300'	32.00 ~~9,600.00~~
Crosscutting								
Raising								
Shafts	Feet	1,330.00	14'	4,940.00	52'	95.00	60'	95.00 ~~5,700.00~~
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		2,130.00	39'	5,740.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		2,130.00		5,740.00				26,110.00

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

REMARKS:

Date May 2, 1953 Operator Kilborn Consolidated, Inc.
Per [signature] Title Secretary.

NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

(For Government use only)

5/ G a apell

INSTRUCTIONS

Preparation of Form MF-104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better determine the progress of the project; and (2) to furnish more permanent information on mining costs for future use. The more important phases of operation on which permanent information is desired have been outlined in the form. There are blank lines, however, for those unusual phases which may need to be reported for a particular project. It will be necessary for the Operator to distribute his costs among the applicable phases reported with the exception of three items the costs of which are not to be distributed by the Operator. These three items are: "Operating Equipment Purchased", "Initial Rehabilitation and Repairs", and "New Buildings, Improvements, etc." The reason for not distributing these items on a monthly basis is doubtless clear to the Operator, since such distribution might well overstate the cost for any one month or period short of the entire contract period.

Form MF-104A has been designed to tie in with Form MF-104 for both monthly and cumulative costs. The "Total Costs" on Form MF-104A for each month should equal the monthly "Total Costs" as reported on Form MF-104. This is also true of the "Total Costs To Date".

In preparing Form MF-104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active for the month. Such distributions should be made on the basis of time spent on the various phases, on man days of labor charged to such phases, or on some other equitable basis. "Operating Equipment", "Initial Rehabilitation and Repairs", and "New Buildings Improvements, etc.", will be distributed to the several phases of the project by the Washington Office of DMEA at the close of the project if determined necessary. The last two columns headed "Authorized by Contract" will be filled in by the Operator if such information is found in the contract. This information is usually a part of Exhibit "A" of the contract. A space for remarks has been provided for the use of the Operator to call attention to any unusual circumstances causing excessive or disproportionate unit costs.

GPO 83-38475

NARRATIVE REPORT

Mr. Herbert Carver has sunk 14 more feet in the shaft. During this sinking he came into a fissure vein. The formation changed to be very hard in the last 10 feet. Mr. Gunnar Johnson, who checked the mine, said that there was some black lime in the bottom of the shaft.

This fissure vein did not show on the surface. It runs North and South and is parallel with the vein which is shown on the surface.

Mr. Carver drifted to the North on this new vein 25 feet and he is still on the vein.

Mr. Carver is now going to sink 8 more feet. He thinks the change in the formation is a good sign and is of the opinion that the shaft should be deepened.

At the 50 foot level of the vertical shaft there was a large stope where a great deal of ore was taken out by the old timers.

The old timers followed the ore on the incline and took out more ore at the 100 foot level. A pattern may be developing.

They had a great deal more snow and had to plow their way out again.

Form MF-4 (Rev.)
(April 1952)

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.

Defense Minerals Administration
RECEIVED
APR 12 1955

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of March, 1955 Docket No. DMEA 3385 Contract No. Idm 05739
Operator's Name Elkhorn Consolidated, Inc. Minerals Lead-zinc-copper
Address 25 W. 6th Ave., Helena, Mont. Mt.
Contract Amount, $ 26,110.00 Government Participation: 50 % Amount, $ 13,055.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
Shaft (38' @ 95.00)	3,610.00	None	3,610.00	3610.00	—o—	3610.00
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS 38' @ 95.00	3,610.00	None	3,610.00	3610.00	—o—	3610.00

I certify that the above bill is correct and just and that payment therefor has not been received.

Date April 5, 1955 *Payee Elkhorn Consolidated, Inc.

Per Paul M. Lynch Title Secretary

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$ 1805.00

Signature MOP
(Authorized Certifying Officer)

Date 4-8-55 Vou. No. 1475

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E 739 in accordance with the terms of the contract.

Signature 1st John D Bardill Title Metallurgist Date 4-7-55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature 1st Stephen W Zoldok Title Mining Engr Date 4-8-55

MONTHLY REPORT OF OPERATOR

The Operator (Contractor) of an exploration project is required to make a monthly report to the Government through the Regional Executive Officer. This report consists of three parts as follows:

(a) *Form MF-104—Operator's Monthly Report and Voucher.*—This form details expenditures and constitutes a voucher for reimbursing the Operator for the Government's share of costs;

(b) *Form MF-104A—Operator's Unit Cost and Progress Report.*—This is a statistical report of expenditures which shows costs for the various types of operation; and

(c) *Narrative.*—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered must be furnished as an attachment to this Report and Voucher. Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

The Monthly Report of Operator should be prepared in an original and four copies all of which must be sent to the Executive Officer of the Region not later than the 15th of the month following.

Preparation of Form MF-104—Operator's Monthly Report and Voucher.—All the applicable spaces in Form MF-104 should be filled in by the Operator, and the Operator or his agent should sign the certification in the lower left corner of the form.

The items of costs are arranged in the order they appear in Article 6 (a) of Form MF-200 (Revised February 1952), however, this form is readily adaptable for use in reporting activities under other contract forms.

Under Item (1) delete words "Short Form" if the contract is a sub-contract under Form MF-200; and delete word "Independent" if the contract reported is on Form MF-200 (A). Also, report work paid for on a unit basis under contract Form MF-200 as though it were performed under an independent contract.

Under Item (2) include labor, supervision and technical services incurred for the exploratory operations. Do not include labor, supervision and technical services used for work performed under items (5) and (6).

Under Item (3) include the costs of material and supplies used in the project other than that used under items (5) and (6).

Under Item (4) appear the three types of operating equipment expenditures, that is, rental, purchase and depreciation. The expenditures made for renting equipment belonging to a third party will be reported under "Rental". The amount paid or duly obligated for payment for the purchase of equipment will be reported under "Purchase". The amount of expenditures due the Operator to reimburse him for depreciation of equipment owned will be reported under "Depreciation".

Item (5) comprises costs of labor, supervision, technical services, materials, etc., which are used in the initial rehabilitation and repair of existing buildings, installations, fixtures, and equipment. These costs, therefore, should not be reported under items (2) and (3).

Item (6) includes the labor, supervision, technical services, materials, etc., used in the installation or construction of new buildings, fixed improvements, etc., necessary for the project. These costs, therefore, should not be reported under items (2) and (3).

Item (7) covers miscellaneous types of expenditure such as payroll taxes, liability insurance, workmen's compensation insurance, repairs to equipment and sampling and analysis. Only that part of payroll taxes, liability insurance and workmen's compensation which are paid by the operator should be reported under item (7). The share paid by the employee as a payroll deduction is to be included under item (2) as labor costs.

Item (8) includes any unforeseen costs not included in the other seven categories.

The original of Form MF-104 when submitted for reimbursable expenses incurred under contract Form MF-200 must be supported by original documentation or by certified copies of purchase orders, payrolls or transcripts of payrolls, unless such documentation has been waived by the Regional Executive Officer. This certification may be stated thus, "Certified True Copy (or Transcript)", followed by appropriate signature. If the Executive Officer of the Region determines that a contract under Form MF-200 should have an "on-site" audit, that is, a Government auditor should make an audit of the Operator's books and records of account, the Operator need not support his monthly voucher with original or certified documents except in cases of equipment purchases whose individual costs exceed $50.00. In these cases the original or a certified copy of the purchase order or invoice should be attached to the Monthly Voucher. N. B.—Only the *original* of Form MF-104 is required to be documented. The four copies of Form MF-104 are not to be thus supported.

Form MF-104 submitted for reimbursement under fixed price contracts on Form MF-200 (A), however, are not required to be supported by documentation of any kind. The Operator will submit his claim under item (1) of Form MF-104 by deleting as stated above the word "Independent" and by showing the number of feet or other units immediately after the appropriate descriptive word, such as, drilling, bulldozing, crosscutting, drifting, etc., and giving the "Monthly Total" amount due. "Totals Previously Reported", and "Totals to Date" columns should also be filled in.

U. S. GOVERNMENT PRINTING OFFICE 205675

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151
Approval expires 6-30-53.

Bureau of Mines
Defense Minerals Adm.
RECEIVED
APR 12 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of March 1953 Docket No. DMEA 3365 Contract No. Idm 739
Operator's Name Elkhorn Consolidated, Inc. Minerals Lead-zinc-copper
Address 26 W. 6th Ave., Helena, Montana.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts	Foot	3,610.00	38'	3,610.00	38'	~~3,610.00~~ 95.00	60'	5,700.00
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		3,610.00	38'	3,610.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		3,610.00	38'	3,610.00				5,700.00

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

REMARKS:

Date April 5, 1953 Operator Elkhorn Consolidated, Inc.

Per Paul N. Smith Title Secretary

NOTE.—Title 18, U. S. Code (Crimes), section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

(Instructions on reverse)

(For Government use only)

151 John D Bardill

INSTRUCTIONS

Preparation of Form MF–104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better determine the progress of the project; and (2) to furnish more permanent information on mining costs for future use. The more important phases of operation on which permanent information is desired have been outlined in the form. There are blank lines, however, for those unusual phases which may need to be reported for a particular project. It will be necessary for the Operator to distribute his costs among the applicable phases reported with the exception of three items the costs of which are not to be distributed by the Operator. These three items are: "Operating Equipment Purchased", "Initial Rehabilitation and Repairs", and "New Buildings, Improvements, etc." The reason for not distributing these items on a monthly basis is doubtless clear to the Operator, since such distribution might well overstate the cost for any one month or period short of the entire contract period.

Form MF–104A has been designed to tie in with Form MF–104 for both monthly and cumulative costs. The "Total Costs" on Form MF–104A for each month should equal the monthly "Total Costs" as reported on Form MF–104. This is also true of the "Total Costs To Date".

In preparing Form MF–104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active for the month. Such distributions should be made on the basis of time spent on the various phases, on man days of labor charged to such phases, or on some other equitable basis. "Operating Equipment", "Initial Rehabilitation and Repairs", and "New Buildings Improvements, etc.", will be distributed to the several phases of the project by the Washington Office of DMEA at the close of the project if determined necessary. The last two columns headed "Authorized by Contract" will be filled in by the Operator if such information is found in the contract. This information is usually a part of Exhibit "A" of the contract. A space for remarks has been provided for the use of the Operator to call attention to any unusual circumstances causing excessive or disproportionate unit costs.

GPO 83-38475

NARRATIVE REPORT

Mr. Herbert Carver went to the Dunstone Mine the latter part of January, 1955, and with the help of the Montana Power Company he put a power line in from the Old Elkhorn Mine to the Dunstone property. There was so much snow on the mountain that he was afraid he would be washed out with pumps that operated from compressors and wanted to install electric pumps. The electric power makes the operation a little more reasonable.

After the power line was installed he put in electrical equipment and started to sink the shaft. A vertical shaft was sunk thirty-eight (38) feet.

APR 2 9 1965

Mr. Paul W. Smith
Secretary
Kilkenny Consolidated, Inc.
24 West 6th Avenue
Helena, Montana

Re: [illegible]-1385 (Lead, Zinc, Copper)
Kilkenny Consolidated, Inc.
Hampton Mine
Jefferson County, Montana
Contract 14m-[illegible]

Dear Mr. Smith:

In accordance with Article 11 of the subject Exploration Project Contract, as amended, all minerals mined and produced outside of the land described in Article 2 and transported through any [illegible] workings were subject to the Government's percentage royalty as set forth in said contract.

As the period during which such production was subject to royalty has now expired, the Government according to its present records retains no claim or lien against the property subject to the contract. We, therefore, are closing our books and records on this contract.

Sincerely yours,

(signed) FRANK R. JOHNSON

Acting Director

GCSelfridge/gla (4-29-65)
cc to: Director's Reading File
Docket
Region I
Mr. Selfridge
CAAA Division
120M

Government's copy

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MAY 18 1956

TERMINATION AGREEMENT

It is agreed this 4th day of January, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Elkhorn Consolidated, Inc., hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-E739, Docket No. DMEA-3385, dated November 22, 1954, as amended, hereinafter called the "Contract," that:

1. Effective OCT 1 1955, the Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

2. The Government shall contribute only to the fixed unit costs of work performed prior to said effective date.

3. The Operator shall promptly perform all winding-up and settlement actions provided for in the contract, including the rendering of the final report and final account.

4. The Operator hereby releases and agrees to save the Government harmless from all claims or demands under or arising out of said contract, except as otherwise provided in this termination agreement.

IN WITNESS WHEREOF, these parties have executed this agreement as of the day and year first above written.

THE UNITED STATES OF AMERICA

By C O Mitchell
Administrator, Defense Minerals Exploration Administration

ELKHORN CONSOLIDATED, INC.

By John M Leavell

Title President

GOVERNMENT COPY

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OCT 21 1955

AMENDMENT NO. 1

It is agreed this 20th day of July 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and

Elkhorn Consolidated, Inc.

(Docket No. DMEA 3385, lead-zinc-copper)

each acting in consideration of the agreement of the other to the terms hereinafter set forth, that the Exploration Project Contract Idm-E 739 of November 22 1954 between the parties hereto be modified and amended as described in Exhibit "F" attached hereto, which, with any maps or drawings attached thereto, is made a part of this agreement. The effective date of this amendment shall be November 22 1954.

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

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

Executed in sextuplicate the day and year first above written.

ELKHORN CONSOLIDATED, INC.
(Operator)

By Paul N. Smith
Secretary

THE UNITED STATES OF AMERICA

By A. E. Weissenborn
A. E. Weissenborn, Exec. Officer
DMEA Field Team, Region ~~II~~ I,
Northwest District

ELKHORN CONSOLIDATED, INC.
Exploration Project Contract No. Idm-E739
Docket No. DMEA 3385 (lead-zinc-copper)

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OCT 21 1955

AMENDMENT NO. 1

Exhibit "F"

Changes and modifications

In Exhibit "A" under Description of the Work, STAGE I, delete the second paragraph of Item 2, as follows:

> The shaft, crosscut, and drift shall be timbered as necessary and each shall have cross-sectional dimensions not less than 5 feet by 7 feet in the clear of timber.

substitute

> The shaft, crosscut, and drift shall be timbered as necessary and the cross-sectional dimensions of the shaft shall not be less than 4 feet by 6 feet and of the crosscut and drift not less than 5 feet by 7 feet in the clear of timber.

ELKHORN CONSOLIDATED, INC.
Exploration Project Contract No. Idm-E739
Docket No. DMEA 3385 (lead-zinc-copper)

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OCT 21 1955

Justification of Amendment No. 1

The cross-sectional dimensions of the old shaft are 4 feet by 6 feet in the clear of timber. The intent was to continue the shaft with the same dimensions; otherwise, funds would have been provided to enlarge the 149 feet of existing shaft to 5 feet by 7 feet in the clear of timber.

S. W. Zoldok

Contract No. Idm-E 739

Docket No. DMEA 3385

DEPARTMENT OF THE INTERIOR

Terminated Contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

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

Date of Contract	Region	State	Commodity
November 22, 1954	I MJ	Montana	Lead-Zinc-Copper

Name and Address of Operator: Elkhorn Consolidated, Inc.
Dunstone Mine
Jefferson County, Montana

	Reserve	Obligation
Prior Amount	-0-	$13,055.00
Increase	-0-	-0-
Decrease	-0-	$ 7,258.50
Revised Amount	-0-	$ 5,796.50

Remarks:

(Name)
Robert M. Adams, Chief
Operations Control and
Statistics Division
(Title)

Date Delivered to Bureau of Mines, Washington 5/29/56

98963

Docket No. DMEA - 3385

Commodity L - Z - Cu.

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

Please enter on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program, the following contract, or amendment to contract.

Contract No. Idm-E 739

Date of Contract ~~xxxxxxxxxxxx~~ Nov. 22, 1954

Name and Address of Operator:
Elkhorn Consolidated , Inc.
Dunstone Mine
Jefferson County, Montana

Amount of Government participation ____ $ 13,055.00

Percent of Government participation 50 %

Region: 11 State: Montana

E. H. Talbut
(Name)
for J. L. Chambers
Chief, Contract Administration and Audit Division
(Title)

Date Delivered to Bureau of Mines, Washington. 11/22/54

54458

Government's copy
DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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JAN 4 1955

MF-200A
(Revised June 1954)

Docket No. DMEA 3385

Commodity Lead-Zinc-Copper

Contract No. Idm-E - 739

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXPLORATION PROJECT CONTRACT[1]
(Short Form)

It is agreed this 22nd day of Noevmber, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] Elkhorn Consolidated, Inc., a Montana corporation, whose mailing address is 26 West 6th Avenue Helena, Montana, 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-200A), the attached Exhibit "A," Annex I, and .....

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

(b) The Operator represents and undertakes that:

(1) The Operator is the [4] lessee of [5] the mineral rights in the land, in possession and entitled to possession for all of the purposes of this contract, under and by virtue of a [6] lease dated 7/18/53 [7] unrecorded in Book ....., page ....., official records of said County; and

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

(c) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above, and (if the Operator does not hold the legal title) the Consent to Lien of any holder of the legal title of the land (lessor, seller, optionor, etc.), are attached, as follows: Owner's Consent to Lien

[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."

(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 7, it shall thereafter have no claim against the land or any production therefrom except for any production referred to in Article 7(b)(1).

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of lead, zinc, copper. The work to be performed is described in Exhibit "A." The Operator on or before January 1, 1955 shall commence the work, and on or before 12 mos. from date of contract (unless the Operator's obligation to complete the work is terminated—see Article 8) shall complete the work.

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) *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.*—A fixed cost for each unit of work to be performed (per foot of drifting, per foot of drilling, per hour of operations, etc.) is hereby agreed upon, and is set forth in Exhibit "A" in connection with the estimated total cost of the project in the sum of $26,110.00. The Government will contribute 50 percent of the fixed unit costs as work is performed, in a total sum not in excess of $13,055.00: *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. The Government will make its contribution on the basis of the monthly vouchers referred to in Article 6(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. To the extent that excesses over fixed unit costs or any excess over the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such excesses for his own account without contribution by the Government. The Government may make payments directly to independent contractors and suppliers for the account of the Operator rather than to the Operator.

ARTICLE 6. *Reports, accounts, audits.*—(a) *Operator's records.*—The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine 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.

(b) *Progress reports and vouchers.*—The Operator shall provide the Government with five copies of monthly progress reports in three sections as follows: (1) Operator's Monthly Report and Voucher showing a detailed statement of units of work performed during the reporting period; (2) Operator's Unit Cost and Progress Report showing the various types of work performed during the reporting period and the fixed unit costs incurred for each type of work; and (3) a Narrative Report of the work

performed during the reporting period including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground. (Forms for reporting under (1) and (2) above will be provided by the Government.)

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

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

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

ARTICLE 7. *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 6) 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 thereof in the form in which and at the time when it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

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

One and one-half (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 8. *Termination of the Government's obligations.*—(a) If in the opinion of the Government operations at any time have failed to achieve anticipated results that indicate the probability of making a worthwhile discovery, and in the opinion of the Government further operations are not justified, the Government may give the Operator written notice thereof, and thereupon the Government shall be free of all obligation to pay on account of units of work not then performed, and the Operator shall be free of all further obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting.

(b) If in the opinion of the Government the Operator is in any manner in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting. The 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 8 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 9. *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 10. *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 11. *Changes and added provisions.*—
Regardless of whether a Certification of Discovery or Development is made and regardless of whether the Operator is the producer or has any interest in the production, it shall pay a royalty as provided in Article 7 on all minerals mined and produced outside the land described in Article 2 and transported through any workings described in Exhibit "A", until the total amount contributed by the Government under the contract has been paid or 10 years have elapsed from the date of the contract.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O. P. Mittendorf
Administrator, Defense Minerals Exploration Administration

ELKHORN CONSOLIDATED, INC.
(Operator)

By John M. Learell
President

Attest:
Paul W. Smith Secretary

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

Paul W. Smith
Secretary

[CORPORATE SEAL]

U. S. GOVERNMENT PRINTING OFFICE 16—70618-1

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 4 1955

MF-203
(Revised July 1, 1954)

OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, ~~co-owner~~, lessor, ~~or seller~~ has an interest in certain property in the State of Montana, County of Jefferson, described as follows:1/

Dunstone Quartz Lode Mining Claim Survey No. 2359, situated in Township Six (6) North of Range Three (3) West, said County of Jefferson, Montana.

which is the subject of a proposed exploration project contract, hereinafter called the "contract", between the United States of America, hereinafter called the "Government", and

2/ Elkhorn Consolidated, Inc.

hereinafter called the "Operator"; and

WHEREAS, under the provisions of said contract the Government is entitled to a percentage royalty on production and to other rights and equities which do or may conflict with or be adverse to the rights of the undersigned:

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

1. The Government's equity in and right to dismantle, sever, take possession of, and remove and dispose of facilities, buildings, fixtures, equipment, or other items as provided in the contract or any amendment thereof shall prevail over and be prior and superior to any conflicting or adverse rights of the undersigned, and the Government is authorized to enter upon the land for such purposes.

2. To secure the payment to the Government of the percentage royalty on production3/ provided for under the terms of said exploration project contract or any amendment thereof there is hereby granted to the Government a lien upon the land above referred to and upon any production of minerals therefrom until said royalty is fully paid or ten years have elapsed from the date of the contract, whichever occurs first.

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

2/ Insert the name of the Operator as it will appear in the exploration project contract.

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

(OVER)

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

4. Changes and added provisions _____

_____

_____

_____

Dated this 1st day of December, 1954.

S. C. Kennett [Seal]

Marjorie Kennett [Seal]

_____ [Seal]

[redacted]

PO Box 317

HELENA MONTANA

[redacted]

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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JAN 4 1955

EXPLORATION PROJECT CONTRACT
ELKHORN CONSOLIDATED, INC.
DOCKET NO. DMEA-3385

ANNEX I

The land referred to in Article 2 of the contract form is the Dunstone Quartz Lode Mining Claim, Survey No. 2359, leased by the operator from S. C. Kennett and Marjorie Kennett, by an instrument dated July 18, 1953, and shown on the map attached to the contract entitled "Dunstone Project Showing Claim Position," and made a part hereof.

DEPARTMENT OF THE INTERIOR
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EXPLORATION PROJECT CONTRACT
ELKHORN CONSOLIDATED, INC.
DOCKET NO. DMEA-3385

EXHIBIT "A"

Description of the Work

The work shall be done in two stages. Upon the completion of Stage I, if in the opinion of the Government the results indicate the advisability of further exploration work and the Government approves in writing in advance, the work under Stage II shall be undertaken.

STAGE I

1. Extend the existing shaft 60 feet to the 210-foot level and provide a sump below that level.

2. On the 210-foot level, crosscut to Vein A and then drift on the vein. The drifting and crosscutting shall not exceed an aggregate of 300 feet.

The shaft, crosscut, and drift shall be timbered as necessary and each shall have cross-sectional dimensions not less than 5 feet by 7 feet in the clear of timber.

STAGE II

1. Drift on Veins A, B, and C not to exceed an aggregate of 300 feet. The drifts shall be timbered as necessary and shall have cross-sectional dimensions not less than 5 feet by 7 feet in the clear of timber.

The location, direction, and extent of all drifts and the crosscut shall have prior approval of the Government.

The proposed work is shown on the attached map entitled "Dunstone Project 193' horizon".

Estimated Costs of the Project

Fixed Unit Costs — **Stage I**

1. 60 feet of shaft @ $95.00/ft $ 5,700.00

2.	300 feet of crosscut and drift @ $32.00/ft.	$ 9,600.00	
3.	100 feet of timbering in crosscut and drift @ $5.00/ft.	500.00	
4.	30 Assays @ $3.50/assay	105.00	
	Stage I - Total Unit Costs		$15,905.00

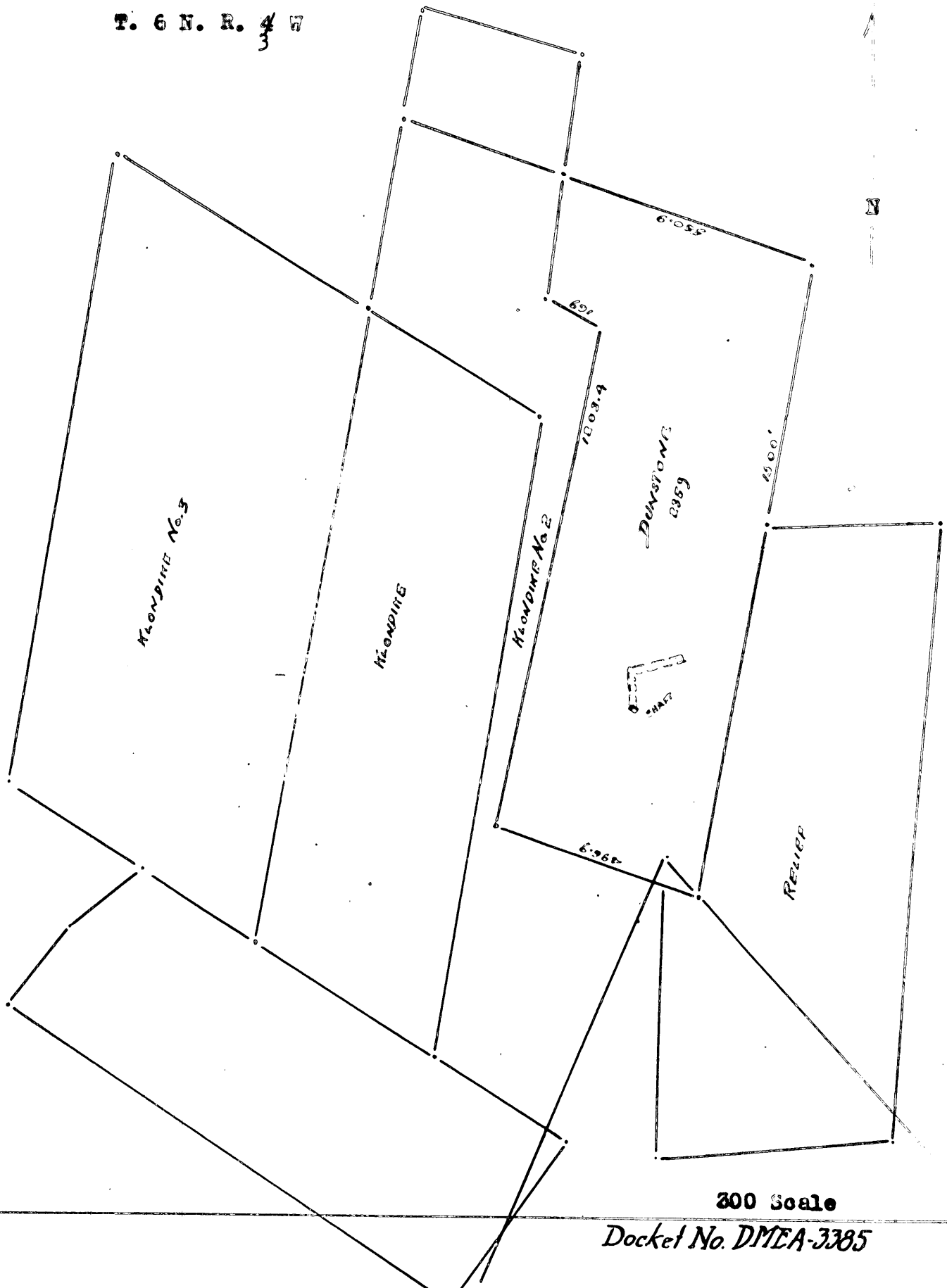
Stage II

1.	300 feet of drift @ $32.00/ft.	9,600.00	
2.	100 feet of timbering in drifts @ $5.00/ft.	500.00	
3.	30 Assays @ $3.50/assay	105.00	
	Stage II - Total Unit Cost		$10,205.00
	Estimated Total Cost of the Project		$26,110.00
	Government's participation @ 50%		$13,055.00

DUNSTONE PROJECT

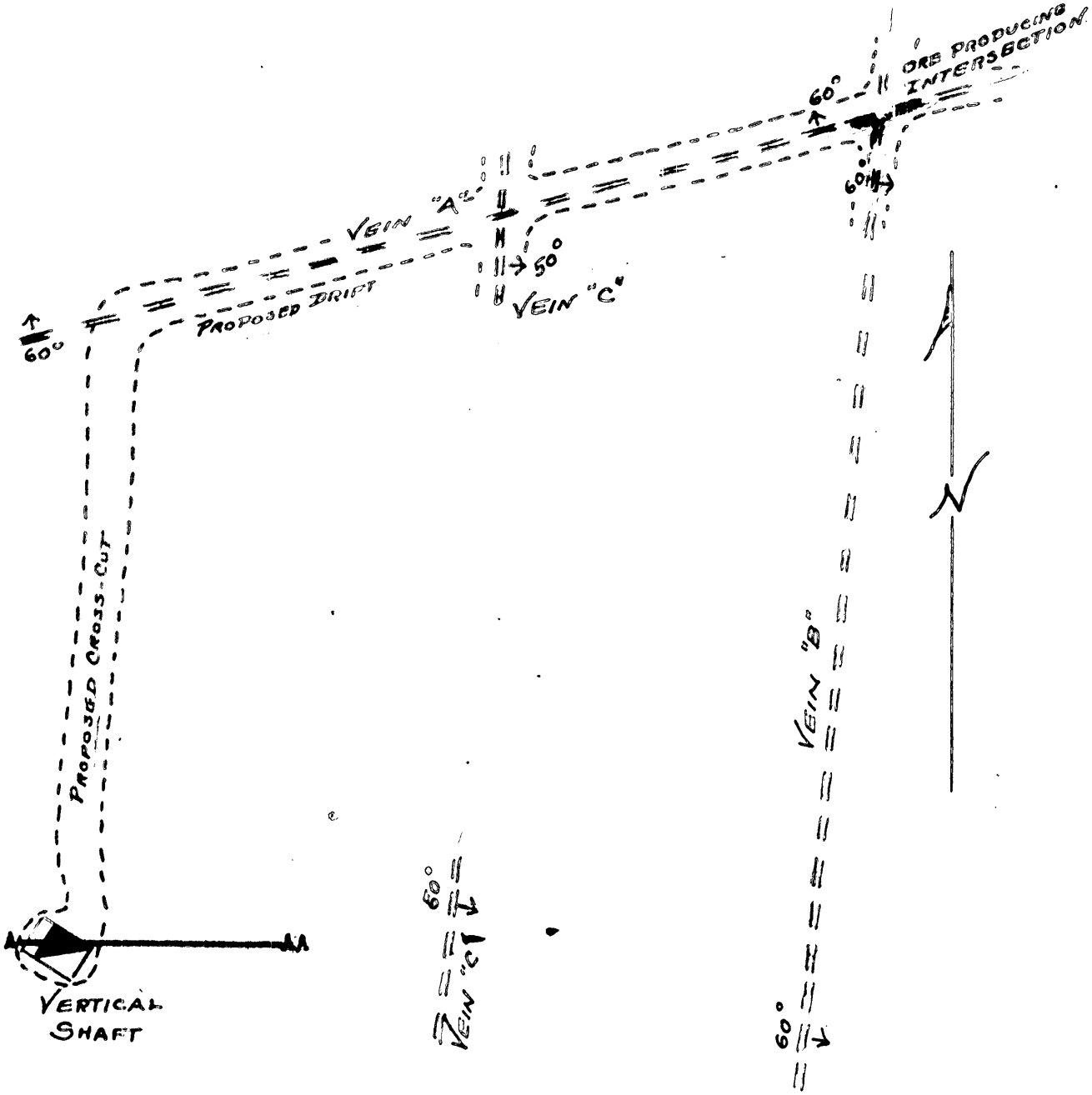
Showing Claim Position

T. 6 N. R. 4/3 W



300 Scale

Docket No. DMEA-3385



DUNSTONE PROJECT

193' horizon

20 Scale

Docket No. DMEA-3385