MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
[illegible]	[illegible]	800
		500
		120
		110
		100
		220

June [illegible], 1962

Memorandum

To: The File

From: [illegible], MME Auditor

Subject: Check of Spruce Pine Mica Purchase [illegible], June 1[illegible] - 22, 1962

During the period of June 18 to 22, 1962, I examined the purchase records of the C.S.A. Mica Purchase Depot at Spruce Pine, North Carolina, for the purpose of ascertaining any unreported production under DMEA exploration project contracts. My examination did not disclose any unreported production subject to royalty under the following contracts.

Contract No.	Docket No.	Operator	Mine Names
E- 97	1140	Pitt Mica Corporation	[illegible] Reid, Reid-Mary, [illegible] Hooker
456	2150	A. W. Reid and W. H. Hooker	Mary, Reid, Reid-Mary, Reid Hooker
393	2293	Dixie Minerals, Inc.	C. L. Stephens (Stevens)
412	2277	Burke John Mica Miners	Burke John, N. L. Barnard
461	2522	Deb Angel	Masson
472	2535	Bourne Associates	Liberty, Conley, Turley
686	3375	Dixie Mines, Inc.	" " "
476	2327	Andrew W. Reid	May
516	2526	The Goodmica Mining Co.	Dale Cope
519	2784	W. I. Twiggs & W. [illegible] Glenn	Sam Huskins, Little Sam Huskins
547	2846	Duncan Mining Co.	[illegible]ly
560	[illegible]	Murphy Mining Co.	[illegible], Bennett
562	[illegible]	Empire Mica Co.	Short-Mitchell
601	3020	M. S. Burleson, et al.	Jones-Foreman
613	[illegible]	Matt Young	Cox
626	3133	Historic Mica Co.	Sanders (Sanders)
636	[illegible]	Byrd Mica Miners	[illegible]
659	3229	Willis & Snyder Mining Co.	[illegible]
662	[illegible]	Non-Metallic Minerals	[illegible], Peterson [illegible]
674	[illegible]	[illegible] Mining Company	[illegible], Talent (Talent)
679	3[illegible]	[illegible] Burleson	[illegible], Shaft
678	3[illegible]2	J. [illegible] Bean & Howard [illegible]	[illegible], Clifton

cc: Docket
Director's Reading File
CA & A Division
Region IV Files (2)

Gulicher/ama
6-26-62

63683

E 675 6/7/54 DMBA-3282 J.R. Bean and Howard Boone

Avery County, N.C. Ingram, Clifton Mine

Last reported Depot sale 12/9/57 Sfao-412 $149.02

Other known parties of possible interest:

Brown Ingram owner Clayton Dellinger mined 9/28/57-12/9/57

Sam R. Phillips EPB 4-153A SFAO-132 Only sale prior to abandonment

Hayden Ingram Mined during 1936 } EPS-4-1868A

J.R. Underwood do } Sales of $14,664.46 between 8/56 and 4/57

Last on list being lot 948

Royalty paid on subsequent lots 1051-1076-980-303-320

Any activity after 11/27/57?

One sale by Clayton Dellinger 11/21/57 $392.51 Royalty paid $19.63 Trimmed-Kon-Kelly 22320

Beck's report 4/15/58 states 2 additional sales - attached

405.75
149.02
554.77 Royalty of $27.74 unpaid & ~~uncollected~~ in total of $810.12 uncollected.

No subsequent sales were noted during check of L.P. Depot records.

C.E.F.

Ltr. 6/13/58 advises no legal basis for claim.

Ab.

A V

FORM APPROVED BY ADMIN. GEN., U.S. JUNE 25, 1957

GENERAL SERVICES ADMINISTRATION

FINAL SETTLEMENT - MICA PURCHASE

MICA PURCHASE DEPOT - Spruce Pine, N. C.

PROGRAM: [X] A [ ] B

DATE PURCHASE: 11-4-47

MICA PURCHASE NUMBER: A03-335 (a)

CERTIFICATE AUTHORIZATION NUMBER	LOT NUMBER	VOUCHER NUMBER	SCHEDULE NUMBER
[illegible]-3-46 A	[illegible]-335 (a)		

EVALUATION DATA

RUBY

QUALITY	HALF TRIM POUNDS	HALF TRIM PRICE PER LB.	HALF TRIM AMOUNT	FULL TRIM POUNDS	FULL TRIM PRICE PER LB.	FULL TRIM AMOUNT
GOOD STAINED AND BETTER						
GRADES NO. 3 AND LARGER		$	$		$ [illegible]	$
GRADES NO. 4 AND 5					40.00	
GRADES NO. 5½ AND 6					[illegible]	
STAINED						
GRADES NO. 3 AND LARGER		12.00			[illegible]	
GRADES NO. 4 AND 5		5.00			18.25	
GRADES NO. 5½ AND 6		3.00			7.55	
HEAVY STAINED						
GRADES NO. 3 AND LARGER		8.00			14.80	
GRADES NO. 4 AND 5		4.00			6.85	
GRADES NO. 5½ AND 6		2.00			4.00	
TOTALS			$			$

NONRUBY

QUALITY	HALF TRIM POUNDS	HALF TRIM PRICE PER LB.	HALF TRIM AMOUNT	FULL TRIM POUNDS	FULL TRIM PRICE PER LB.	FULL TRIM AMOUNT
GOOD STAINED AND BETTER						
GRADES NO. 3 AND LARGER		$	$		$ 70.00	$
GRADES NO. 4 AND 5				1.96	40.00	77.00
GRADES NO. 5½ AND 6				8.91	[illegible]	157.71
STAINED						
GRADES NO. 3 AND LARGER		9.60		.22	[illegible]	3.62
GRADES NO. 4 AND 5		4.00		4.26	[illegible]	68.40
GRADES NO. 5½ AND 6		2.40		14.81	[illegible]	97.01
HEAVY STAINED						
GRADES NO. 3 AND LARGER		6.40		.06	[illegible]	.71
GRADES NO. 4 AND 5		3.20		.34	5.45	1.85
GRADES NO. 5½ AND 6		1.60		.69	4.00	2.76
TOTALS			$			$

TOTAL YIELD AND VALUE [ ] RUBY [X] NONRUBY (Half trim plus full trim) 31.23 LBS. $ 485.75

ADJUSTED VALUE WHEN LESS THAN 18% GS & R (ABOVE VALUE $ _____ x _____ : 18) $

FOR PROGRAM B, DEDUCT $4.00 PER POUND FOR RIFTING AND TRIMMING

FINAL BASIS FOR PAYMENT $ 485.75

LESS: INITIAL PAYMENT VOUCHER NUMBER SCHEDULE NUMBER 216.83

BALANCE DUE [X] SELLER [ ] GOVERNMENT $ 268.92

NAME AND LOCATION OF MINE

Gillespie-Avery County, N. C.
S 68 & B 24.72

PROCESSED FOR PAYMENT (LBS.)	31.23
PROCESSED - NO PAYMENT (LBS.) THINS	
BLACK (Dots, Spots, Stained)	
UNDERSIZED	
PROCESSING LOSS	.08
TOTAL POUNDS PURCHASED	31.31

SELLER'S NAME AND ADDRESS (Type or print)

Clayton Dellinger
Route 2
Spruce Pine, N. C.

APPROVED

DEPOT SUPERINTENDENT

DATE 11-22-57

GSA WASH D C 58-3177

GSA FORM 1013a
SEPTEMBER 1957

FORM APPROVED BY ADMIN., U.S. ... 1957

GENERAL SERV[redacted]DMINISTRATION

FINAL SETTLEMENT MICA PURCHASE

DATE PURCHASED: 12-9-57

MICA PURCHASE DEPOT: Spruce Pine, N. C.

[redacted]: A03-412 (a)

[redacted] AUTHORIZATION NUMBER: [redacted]-3-46 A

[redacted] NUMBER: [redacted]-412 (a)

[redacted] NUMBER

[redacted] NUMBER

EVALUATION DATA

RUBY

QUALITY	HALF TRIM POUNDS	HALF TRIM PRICE PER LB.	HALF TRIM AMOUNT	FULL TRIM POUNDS	FULL TRIM PRICE PER LB.	FULL TRIM AMOUNT
[redacted] STAINED AND BETTER						
[redacted] GRADES NO. 3 AND LARGER		$	$		$ [illegible]	$
GRADES NO. 4 AND 5					40.00	
GRADES NO. 5½ AND 6					[illegible]	
[redacted] STAINED						
[redacted] GRADES NO. 3 AND LARGER		25.0[illegible]			[illegible]	
[redacted] GRADES NO. 4 AND 5		[illegible]			[illegible]	
[redacted] GRADES NO. 5½ AND 6		[illegible]			[illegible]	
[redacted] STAINED						
[redacted] GRADES NO. 3 AND LARGER		[illegible]			[illegible]	
[redacted] GRADES NO. 4 AND 5		[illegible]			[illegible]	
[redacted] GRADES NO. 5½ AND 6		[illegible]			[illegible]	
TOTALS			$			$

NONRUBY

QUALITY	HALF TRIM POUNDS	HALF TRIM PRICE PER LB.	HALF TRIM AMOUNT	FULL TRIM POUNDS	FULL TRIM PRICE PER LB.	FULL TRIM AMOUNT
[redacted] AND BETTER						
[redacted] GRADES NO. 3 AND LARGER		$	$			$
[redacted] GRADES NO. 4 AND 5				.53	[illegible]	11.38
[redacted] GRADES NO. 5½ AND 6				4.14	[illegible]	72.92
[redacted] STAINED						
[redacted] GRADES NO. 3 AND LARGER		[illegible]		.06	[illegible]	1.53
GRADES NO. 4 AND 5		4.[illegible]		1.13	[illegible]	16.30
GRADES NO. 5½ AND 6		2.40		1.06	6.55	20.14
[redacted] STAINED						
[redacted] GRADES NO. 3 AND LARGER		[illegible]		.03	[illegible]	.36
[redacted] GRADES NO. 4 AND 5		[illegible]		.12	[illegible]	.65
[redacted] GRADES NO. 5½ AND 6		[illegible]		.05	[illegible]	2.78
TOTALS			$			$

[redacted] AND VALUE: [redacted] RUBY [X] NONRUBY (Half trim plus full trim) 11.73 LBS. $ 140.02

[redacted] VALUE WHEN LESS THAN [redacted] & B (ABOVE VALUE $ _____ [illegible])

[redacted] FEE AT $4.00 PER POUND FOR REFINING AND TRIMMING

[redacted] $ 140.02

[redacted] SETTLEMENT [redacted] 83.29

[redacted] 65.73

[redacted]

Clifton-Avery County, N. C.
% G& & B 139.64

[redacted] NAME AND ADDRESS (Type or print)

Clayton Bellinger
Route 2
Spruce Pine, N. C.

[redacted] FOR PAYMENT [redacted] 11.73

[redacted] PAYMENT [redacted] THEN [redacted] (Dark Specs, Stained) [redacted] PROCESS [redacted] .06

TOTAL POUNDS PURCHASED 11.81

[redacted] SUPERINTENDENT

DATE 12-24-57

GSA FORM 1013a
SEPTEMBER 1957

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-8675, Docket DMEA-3282 (mica), dated June 7, 1954, with

J. R. Beam and Howard Boone
Spruce Pine, North Carolina

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 Ingram Prospect and the Clifton Mine located in Avery County, North Carolina, during the period February 21, 1958, through June 15, 1960.

A certification of discovery or development was issued on October 22, 1954, and, in accordance with Annex II of the contract, royalty is payable on all minerals produced from the land described in Article 2 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 August 11, 1954, indicated accepted costs under the exploration contract amounting to $1,306.00 with the Government's contribution on a 75 percent basis being $979.50.

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 found the sales subject to the Government's royalty through February 20, 1958, to be $19,287.68. The royalty account as of February 20, 1958, was stated as follows:

Total Royalty Payable	$972.43
Total Royalty Paid	162.31
Balance of Royalty Due	$810.12

In consideration of the facts stated on page 2, as of June 15, 1960, the royalty account of this project is stated as follows:

Total Royalty Payable	$162.31
Total Royalty Paid	162.31
Balance of Royalty Due	$ -0-

January 12, 1962

E. D. Talbert

E. D. Talbert, OME Auditor

Idm-E675 J. R. Beam and Howard Boone DMEA-3282

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

At the time this exploration project was executed the Operators were in possession of the property by virtue of a five-year lease granted on March 10, 1954, by Brown Ingram, Three Mile, North Carolina. The Operators abandoned the property upon completion of the exploration work on June 30, 1954. A small quantity of mica produced during the exploration work was sold for $161.08 during July 1954, in the name of Sam L. Phillips, Spruce Pine, North Carolina, and the Government's royalty of $8.05 was paid.

The property remained inactive until some time during 1956 when Hayden Ingram (son of the landowner) and T. R. Underwood, Newland, North Carolina, began operations under the name of Clifton Mine. From August 14, 1956, through October 21, 1957, this partnership's sales amounted to $18,340.40, on which the landowner paid $134.63 of the calculated $917.01 royalty.

From October 28, 1957, through December 9, 1957, sales amounting to $947.28 were made in the name of Clayton Dellinger, Route 2, Spruce Pine, North Carolina. The landowner paid $19.63 of the calculated $47.37 royalty.

A listing of the individual sales, which are summarized in the foregoing paragraphs, is given in the prior Report of Royalty Review dated March 19, 1958. Subsequent examinations of the property and checks of the Spruce Pine Mica Purchase Depot's records have disclosed that, through June 15, 1960, no further sales were made to the Depot and the property was inactive from November 27, 1957.

This contract provides that the Operator, as principal if the producer and as surety if not the producer, shall pay a royalty on all production from the land. The "abandonment" provision in Article 7, however, was not deleted from the contract and the Owner's Consent to Lien dated June 11, 1954, grants a lien merely to secure the royalty payment "provided for under the terms of said exploration project contract". On May 28, 1958, the Solicitor's Office informally stated that there was "No legal right to demand royalty in view of abandonment" and the regional office was advised on June 13, 1958, by the Operating Committee "Therefore, you should make no further demand for royalty payments to the Operator or the Owner".

The "abandonment" provision's effect is conclusive only "with complete abandonment by the Operator of all interest in or operations on the land for a period of 10 years from the date of this contract". Accordingly, if the Operators, as individuals or partners,

reacquire any interests before June 7, 1964, their liability and that of the landowner will be re-established.

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 show that the property has been inactive since November 1957;

(2) All sales of production are covered by prior Reports of Royalty Review; and

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

JAN 19 1962

Memorandum

To: Chief, Fiscal Section, Division of Administrative Services, Office of the Secretary

From: Chief, Division of Field Operations, OMR

Subject: DMEA-3282 (Mica)
J. R. Eaton and Howard Keene
Ingram Prospect
Avery County, North Carolina
Contract Ldm-2673

Enclosed for your files is the original of a Report of Royalty Review on the subject contract.

George C. Selfridge

Enclosure

GCSelfridge/hb (1/19/62)
cc: Docket DMEA3282
Director's Reading File
CA&A Division
G.C.Selfridge
R.A.Laurence, Reg. IV, w/cy of Report of Royalty Review dtd 1/12/62 & orig. cy of memo dtd 1/18/62 to Chief, Div. of Field Operations from CA&A Div.
V. J. Lynch, Reg. IV, w/cy of ea. item sent to Mr. Laurence.

JAN 18 1962

Memorandum

To: Chief, Division of Field Operations

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

Subject: DMEA-3282 (Mica)
J. R. Beam and Howard Boone
Ingram Prospect
Avery County, North Carolina
Contract Idm-E675

Enclosed are the original and two copies of a Report of Royalty Review covering the subject Region IV contract. 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; and

(b) Two copies to Region IV files.

This report is for OME record purposes only; therefore, no copy has been provided for the Operator.

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

Enclosures

EDTalbert/ama 1-18-62

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

Mr. Robert A. Laurence
Executive Officer
DMEA Field Team, Region V
Room 13 Post Office Building
Knoxville 2, Tennessee

JUL 16

Re: Docket No. DMEA-5282 (Mica)
J. R. Beam and Howard Boone
Ingram Prospect
Avery County, North Carolina
Contract No. Idm-E675

Dear Mr. Laurence:

Apparently our letter to you dated June 13, 1958, advising that no legal basis exists for making additional demand for royalty from either the Operator or the Landowner under the above-referenced contract, has caused Mr. Lynch to write the memorandum dated June 20, 1958, relative to 25 other certified projects in which the "abandonment provision" was not deleted from the exploration contracts.

The ruling in connection with Contract Idm-E675 should not be extended to other cases. Instead, you should follow your past practices with respect to the collection of royalty applicable to production from the listed properties. In the event of refusal to pay such royalty, or if the propriety of the Government's demand is questioned, the matter should then be referred to the Washington Office for consideration. In other words, each case will be individually considered and a decision will be made based on the particular circumstances.

Sincerely yours,

W. S. Martin
ACTING Chairman, Operating Committee

APPROVED:

Frank D. Lamb
Member, Bureau of Mines

N. E. Nelson
Member, Geological Survey

cc: Docket
Admr. Reading File
Operating Committee
THKiilsgaard
WFDietrich
Mr. Chambers

CEFisher/GMcC - July 16, 1958

NOTE:

The attached letter is for our Files only. Was not sent out. Was rewritten on July 16, 1958 and was mailed on 7-18-58.

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

Not acceptable to Legal

Mr. Robert A. Laurence
Executive Officer
DMEA Field Team, Region V
Room 13 Post Office Building
Knoxville 2, Tennessee

Re: Docket No. DMEA-3282 (Mica)
J. R. Beam and Howard Boone
Ingram Prospect
Avery County, North Carolina
Contract No. Idm-E675

Dear Mr. Laurence:

Apparently our letter to you dated June 13, 1958, advising that no legal basis exists for making additional demand for royalty from either the Operator or the Landowner under the above-referenced contract, has caused Mr. Lynch to write the memorandum dated June 20, 1958, relative to 25 other certified projects in which the "abandonment provision" was not deleted from the exploration contracts.

The ruling in connection with Contract Idm-E675 was based entirely upon the particular circumstances in that case. You should follow your past practices with respect to the listed contracts in the absence of any conflicting instructions by this office with respect to any specific contract.

Answers to the questions asked in Mr. Lynch's memorandum are summarized as follows:

(1) The Government does not have any contractual relationship with a new operator of "abandoned" property and is therefore not in position to demand payment of royalty by him.

(2) If the Government has retained its lien on the land, the Landowner is obligated to pay the royalty on any production. He may

arrange for the new operator to pay the royalty which will be accepted by the Government; however, we will look to the Landowner for payment should the new operator fail to pay.

(3) The Government should accept royalty on any production from the land until such time as the Government's contribution has been paid in full, the repayment period shall have expired, or it has been determined, upon referral to the Washington Office, that neither the new operator nor the landowner are legally obligated to pay such royalty.

(4) and (5) The Comptroller General's letter dated September 6, 1957, copies of which were sent to you with Mr. Chambers' letter dated September 26, 1957, states that "it would be inequitable for the Government to take advantage of any mistake made by an operator in the making of either an interim or final payment of royalty * * * Refund of royalty payment should, of course, be supported by a proper voucher or invoice."

If a proper claim should be filed for refund of royalty payments under Contract Idm-E675 by the parties making such payments, other than the Operator named in the contract, a refund would be in order.

(6) The Field Team or its representatives should not tell either landowners or subsequent operators that they are not obligated to pay royalty if the lease is given up by the original operator. Every effort should be made to collect royalty on production from the land involved. In event of refusal to pay such royalty, or if the propriety of the Government's demand for payment is questioned, the matter should be referred to the Washington Office for consideration. In other words, each case must be determined individually on the basis of the legal aspects.

Sincerely yours,

Chairman, Operating Committee

APPROVED:

Member, Bureau of Mines

Member, Geological Survey

DRAFT
CEFisher
June 25, 1958

Not acceptable to Legal

Mr. Robert A. Laurence
Executive Officer
DMEA Field Team, Region V
Room 13 Post Office Building
Knoxville 2, Tennessee

Dear Mr. Laurence:

Apparently our letter to you dated June 13, 1958, advising that no legal basis exists for making additional demand for royalty from either the Operator or the Landowner under Contract Idm-E675, DMEA-3282, J. R. Beam and Howard Boone has caused Mr. Lynch to write the memorandum dated June 20, 1958, relative to 25 other certified projects in which the "abandonment provision" was not deleted from the exploration contracts.

The ruling in this case was based entirely upon the particular circumstances. The Owner's Consent to Lien dated June 11, 1954, executed by Brown Ingram, was prepared on the old form with certain deletions, one of which was paragraph (d) on the back of the form which would have granted the Government a lien for royalty until the royalty claim was extinguished by lapse of time or was fully paid. The abandonment provision should have been, but was not, deleted from Article 7 of the contract. Thus, the Operator was released from any royalty obligation upon abandonment, as was the Landowner who had not assumed any liability for royalty greater than that of the Operator.

A review of the contracts listed in Mr. Lynch's memorandum does not disclose any others in which the situation is the same as in the above-

mentioned case.

Contracts Idm-E674, E-679, E-684 and E-687 (Docket Numbers 3287, 3290, 3244 and 3256, respectively) were prepared at about the same time as Contract Idm-E675. They also included Owner's Consent to Lien similar to that executed by Mr. Ingram. The abandonment provision was retained in the original contracts, however, such provision was subsequently eliminated, in each instance, either by amendment or in a termination agreement. As "abandonment" would not release the Operator from his royalty obligation, the Landowner would not be released. In these instances, the Operator is primarily liable for royalty on any production from the property. The Government may also enforce its claim for royalty against the Landowner in the event collection cannot be made from the Operator. Royalty payments will, of course, be accepted from any person or company mining on the property. Such acceptance does not release the Operator and the Landowner from their liability for any unpaid royalties.

Your attention is directed to the last paragraph on the back of Owner's Consent to Lien with Contracts Idm-E311 and E-412 (Docket Numbers 2377 and 2277) which clearly states that the Government's claim for royalty "shall survive any termination of the contract, whether by completion of the exploration project or otherwise."

Landlor'd Subordination Agreement made a part of Contract Idm-E349, Docket Number 2375, provides that the Lessor (Landowner) "shall assume and does hereby assume all of the obligations of the Lessee under said Exploration Project Contract to make repayment to the United States of

America according to the terms of said contract." Whether or not abandonment by the Lessee (Operator) will serve to release the Landowner from his liability for the royalty payments will be determined when and if the specific question arises in connection with an attempt to collect royalty on production from the property.

The Operator named in Contract Idm-E662, Docket Number 3255, is represented to be the owner of the land on which the exploration was performed, and the reason for including this contract in the ~~last~~ first is not apparent.

Contract Idm-E431, Docket Number 2610, stated that the Operator was also the Landowner and that there were no claims, liens or encumbrances on the land. It was subsequently determined that the land was encumbered at the time the contract was executed. The Administrator's letter dated March 10, 1955, notified the officers of Dixie Minerals, Inc. that royalty was payable to the Government on any production from the land described in the contract regardless of whether that company owns the land or is the producer. The fact that the abandonment provision was included in the contract certainly should not release the Operator from his royalty obligation under a contract which contained a misrepresentation of a material fact.

In letters dated August 7, 1956, the Administrator advised the Assignor's and the Assignee's of Contract Idm-E459, Docket Number 2579, that they were liable to the Government for royalty on production from the

land subject to the contract. The Owner's Consent to Lien in this instance was specifically conditioned upon the terms of the Exploration Project Contract and "any amendment thereof which does not --- alter the provisions for repayment." The project was not certified in the manner provided in the contract. Instead a clause providing for the payment of royalty was incorporated in the termination agreement. This served to release the lien on the land and no demand for royalty from the Landowner would be in order, but the Operator, as surety, remains liable for royalty on production from the land.

The Owner's Consent to Lien in connection with Contracts Idm-E393, E432, E495, E516, E519, E547, E557, E560, E561 and E613 (Docket Nos. 2293, 2557, 2793, 2926, 2784, 2886, 3000, 3008, 2917, and 2875, respectively) are on the same form as used in connection with Contract Idm-E459. In each of these cases a Certificate of Discovery or Development was issued in the manner prescribed in the contract. Thus, even though the Operator may make a valid abandonment of the property and be released from the obligation to pay royalty on any future production from the land, the Government's lien on the property is not destroyed and we may proceed against the Landowner for such royalty. This is also true with respect to Contracts Idm-E601, E636, E659, E664 and E665 (Docket Nos. 3050, 3154, 3229, 3247 and 3216, respectively) which include the Owner's Consent to Lien as revised July 1, 1953.

Answers to the questions asked in Mr. Lynch's memorandum are summarized as follows:

(1) The Government does not have any contractual relationship with a new operator of "abandoned" property and is therefore not in position to demand payment of royalty by him.

(2) If the Government has retained its lien on the land, the Landowner is obligated to pay the royalty on any production. He may arrange for the new operator to pay the royalty which will be accepted by the Government; however, we will look to the Landowner for payment should the new operator fail to pay.

(3) The Government should accept royalty on any production from the land until such time as the Government's contribution has been paid in full, the repayment period shall have expired, or it has been determined, upon referral to the Washington Office, that neither the new operator nor the landowner are legally obligated to pay such royalty.

(4) and (5) The Comptroller General's letter dated September 6, 1957, copies of which were sent to you with Mr. Chambers' letter dated September 26, 1957, states that "it would be inequitable for the Government to take advantage of any mistake made by an operator in making of either an interim or final payment of royalty * * * Refund of royalty payment should, of course, be supported

by a proper voucher or invoice."

If a proper claim should be filed for refund of royalty payments under Contract Idm-E675 by the parties making such payments, other than the Operator named in the contract, a refund would be in order.

(6) The Field Team or its representatives should not tell either landowners or subsequent operators whether they are obligated to pay royalty if the lease is given up by the original operator. Every effort should be made to collect royalty on production from the land involved. In event of refusal to pay such royalty, the matter should be referred to the Washington Office for consideration. In other words, each case must be determined individually on the basis of the legal aspects.

Sincerely yours,

Chairman, Operating Committee

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
ROOM 13 POST OFFICE BLDG.
KNOXVILLE 2, TENN.

Orig to m+f and Cy to 120

June 20, 1958

800

Memorandum

To: Operating Committee, DMEA - Washington, D. C.

From: Acting Executive Officer, DMEA - Region V-Knoxville

Subject: Royalty obligation on contracts written on February 1952 Form MF-200 and Form MF-200A without deletion of the "abandonment provision" by amendment or otherwise.

There are many certified and pseudo certified contracts in Region V that were written on the subject forms and the leases on the land were subsequently given up by the Operators. Some of these properties have later been leased to other Operators who have or are making royalty payments because they were told they were obligated to do so.

We would like the following questions answered on the contracts listed below which have been abandoned by the Operators:

1) Is a new operator required to pay royalty on any production made?

2) Is the landowner obligated to pay if the new operator fails to do so?

3) Can the Government legally accept royalty from a new operator or the landowner when they are not obligated to pay it?

4) If the answer to (3) is "no" must we return any payments received in the future?

5) If the answer to (3) is "no" must repayment be made of any royalty received subsequent to abandonment of the lease by the original operator?

6) Can the Field Team or its representatives tell the landowner or subsequent operators that they are not obligated to pay royalty if the lease is given up by the original operator?

Certified and Pseudo Certified Contract that were made on Contract Forms MF-200 (February 1952) or MF-200A (Feb. 1952) and which did not have the "abandonment provision" deleted by amendment or otherwise.

DMEA No.	IdmE-	Contract date	Operator	Mine Name
2277	412	10-1-52	Burke-John Mica Miners	Burke-John
2293	393	8-29-52	Dixie Minerals Inc.	D.H.Stephens
2375	349	6-23-52	Robinson & West	Swannanoa
2377	311	5-7-52	Piedmont Minerals Inc.	Self
2557	432	10-30-52	Anglin & Elkins	Huskins
2784	519	5-14-53	Twiggs, Glenn & Green	Sam Huskins
2793	495	3-2-53	Burns & Spangler Const. Co.	Lee Cornwell
2875	613	10-28-53	Latt Young	Cox
2886	547	6.-15-53	Duncan Mining Co.	Connolly
2917	561	7-2-53	Roy H. Fouts	Allman Cove
2926	516	5-7-53	Goodmica Co.	Engle Cope
3000	557	6-25-53	B.T.R. Mining Co.	Bryson
3008	560	7-2-53	Murphy Mining Co.	Red (Bennett)
3050	601	9-17-53	M.E.Burleson, et al	Jones-Boseman
3154	636	11-3-53	Clingman Ellis and Walter Grindstaff	Byrd
3216	665	3-22-54	The Hector Mining Co.	Hector
3229	659	1-26-54	Willis & Snyder Mining Co.	Lutz
3244	684	7-12-54	Alex Teague	Old Denson
3247	664	3-22-54	Newland Buchanan,et al	Johnson
3255	662	3-5-54	Non-Metallic Mineral Corp.	White-Face-

DMEA No.	Idm-E	Contract date	Operator	Mine Name
3256	687	7-22-54	Glenn C. Rathburn	Fox
3287	674	6-1-54	Sam L. Phillips, et al	Mud Cut

Pseudo Certified Contracts

2579	459	12-11-52	Bower Mining Co.	Baird Cove Mine
2610	431	10-30-52	Dixie Minerals Inc.	Shell Ridge
3290	679	6-24-54	J.H. Young and C. C. Burleson	Ruby Mine

V. J. Lynch, Acting
Executive Officer, DMEA
Field Team, Region V

WAB/zm
cc
Lynch
Cpr. Com.2
Files

AEC Form 7
(12-56)

OFFICIAL FILE

Date	Surname

JUN 13 1958

Mr. [illegible]
[illegible]
[illegible]
[illegible]
Knoxville [illegible]

[illegible]
[illegible]
[illegible]
[illegible], North Carolina
[illegible]

Dear Mr. [illegible]

[illegible]
[illegible]
[illegible]
[illegible]

[illegible]
exists [illegible]
operators [illegible]
take no further [illegible]
[illegible]

[illegible]

/s/ George C. Selfridge

Chairman, [illegible] Committee

Approved:

/s/ Frank D. Lamb
Member, [illegible]

/s/ Thor H. Kiilsgaard
Member, [illegible]

[illegible]
[illegible]
[illegible]
[illegible]
[illegible]
[illegible]
[illegible]

8623

Digits 600

RECEIVED 28

DATE

800

May 22, 1958

Memorandum

To: Operating Committee, DMEA, Washington

From: Executive Officer, DMEA, Region V

Subject: DMEA-3282, Idm-E675 (Mica)
J. R. Beam and Howard Boone, Ingram Prospect
Avery County, North Carolina

From time to time we have written Brown Ingram, the owner of the property covered by the subject contract requesting payment of royalty on production of mica from the land described therein. The original Operators gave up their lease and considerable production has been made by other Operators since then. Are we right in requesting Mr. Ingram to pay royalty on this production and is he obligated to pay it? The contract was signed on Form MF-200(A) (February 1952) and the "abandonment provision" was not deleted by amendment or otherwise.

In Operating Committee's letter of April 1, 1957, on DMEA-2841, Idm-E523 (Columbium-tantalum, beryl and tin) it was suggested that cases of this sort be referred to the Washington office for interpretation.

Robert A. Laurence

cc: Opr. Com. (2)

Handle referred to Legal 5/27/58

6/4

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
ROOM 13 POST OFFICE BLDG.
KNOXVILLE 2, TENN.

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April 12, 1958

WAB/zm
cc
Opr. Com-2
Lynch
Files

Mr. Brown Ingram
Three Mile Station
Newland, North Carolina

Re: DMEA-3282, Idm-E675-mica.
J.R. Beam & Howard Boone
Ingram Prospect, Avery County,
North Carolina

Dear Mr. Ingram:

On March 31, 1958 this office mailed you a Report of Royalty Review which gave a statement of royalty due, paid and unpaid on production from the land covered by the subject contract. This statement shows an unpaid balance due the Government of $810.12. The last payment we received was a Money Order dated December 21, 1957 in the amount of $19.63. It is not within the authority of this office to postpone indefinitely such action as may be necessary to collect the amounts properly due the Government.

Accordingly I must advise you that unless a substantial payment on account is received within 30 days from the date of this letter we will have to refer this to our Washington office to take such action as it deems necessary to effect the collection of the royalty due.

Very truly yours,

EXECUTIVE OFFICER
DMEA REGION V

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the records of the Executive Officer, DMEA Field Team, Region V, Knoxville, Tennessee, and those of the General Service Administration Mica Purchase Depot, Spruce Pine, North Carolina, pertaining to the sale of mica produced from Ingram Prospect, located in Avery County, North Carolina, for the period March 10, 1955, to February 20, 1958, on which royalty is due the U. S. Government under terms of Contract Idm-5675, Docket No. DMEA-3282 (Mica), dated June 7, 1954, with

J. R. Beam and Howard Boone, Partners
Spruce Pine, North Carolina

and Owner's Consent to Lien dated June 11, 1954, executed by Brown Ingram as an inducement to the Government to enter into same.

A certification of discovery or development was issued on October 22, 1954, and, in accordance with the contract and the Owner's Consent to Lien royalty is payable on sales of mica produced from the property during a period of 10 years from the date of the contract or until the amount of the Government's contribution to exploration costs has been repaid, without interest, whichever occurs first. The accepted costs of the exploration amounted to $1,306.00 with the Government's contribution, on a 75 percent basis, being $979.50. The scope of the review and the reasons therefor are stated in Schedule "A" attached.

My review established the total sales of mica for this period to be $19,287.68. Royalty due the U. S. Government at the contract rate of 5 percent is $964.38. A prior review covering the period June 7, 1954, to March 9, 1955, stated the sales of mica to be $161.08 for that period and the status of the royalty account to be:

Total Royalty Due	$8.05
Total Royalty Paid	8.05
Balance of Royalty Due	$-0-

As of February 20, 1958, the royalty account of this project was found to be:

Total Royalty Due	$972.43
Total Royalty Paid	162.31
Balance of Royalty Due per Schedule "B"	$810.12

March 19, 1958

C. E. Fisher, Auditor

Schedule "A"

Contract Lim-8675, Docket No. DMEA-3282 (Mica)

Report of Royalty Review

This review was limited to compiling a list of sales of mica produced from Ingram Prospect as shown by the records of the Mica Purchase Depot, listing data relative to sales of scrap and punch mica which had been previously obtained by the DMEA Region V office, and comparing such lists with royalty collections by the regional Finance Officer. This information indicated that the royalty accruing to the Government amounted to $972.43. The total amount of the Government's contribution to the exploration costs amounted to $979.50 or only $7.07 in excess of the royalty presently known to be due. The last transaction included in this royalty computation was covered by Mica Purchase Depot Lot No. SPAO-412 sold to the Depot on December 9, 1957. The last sales of scrap and punch mica included in the computation were made in July, 1957.

An on-site royalty audit of the records of Brown Ingram was not made at this time for the reason that the administrative cost to the Government would be excessive in relation to the amount of possible additional royalty which might be disclosed.

Schedule "B"

Contract Idm-E675, Docket No. DMLA-3262 (Mica)

Statement of royalty due, paid and unpaid
at February 20, 1958.

Date Sold	Lot No.	Pounds	Proceeds	ROYALTY Due	Paid	Unpaid
		Sheet Mica				
	SOLD BY J. R. BEAM AND HOWARD BOONE					
1954 - 7-23	SPAO-132	8.01	161.08	$8.05	$8.05	-0-
	SOLD BY SUBSEQUENT OPERATORS					
1956 - 8-14	SPAO-156	38.12	511.00	25.55	25.55	-0-
8-14	" 184	45.37	804.38	40.22	-0-	$40.22
8-29	" 217	48.31	578.17	28.91	-0-	28.91
9-10	" 254	58.63	906.73	45.34	-0-	45.34
9-13	" 268	45.25	846.64	42.33	-0-	42.33
9-21	" 296	54.18	812.59	40.63	-0-	40.63
9-28	" 335	53.30	779.68	38.98	-0-	38.98
10-8	" 360	54.69	935.73	46.78	-0-	46.78
11-20	" 535	54.44	983.73	49.18	-0-	49.18
11-28	" 565	65.87	996.41	49.82	-0-	49.82
12-4	" 584	63.44	1,039.12	51.95	-0-	51.95
12-7	" 605	48.31	705.16	35.26	-0-	35.26
12-17	" 642	68.18	1,063.30	53.16	-0-	53.16
1957 - 1-3	" 681	65.43	949.40	47.47	-0-	47.47
1-8	" 702	59.62	755.06	37.75	-0-	37.75
2-1	" 794	57.38	679.74	33.98	-0-	33.98
2-28	" 876	77.99	855.32	42.77	-0-	42.77
3-18	" 948	36.56	462.30	23.11	23.11	-0-
3-29	" 980	19.12	272.96	13.65	13.65	-0-
4-23	" 1051	27.44	489.00	24.45	24.45	-0-
5-1	" 1076	23.44	326.85	16.35	16.35	-0-
5-17	" 1116	28.75	344.01	17.20	-0-	17.20
6-4	" 1157	31.38	382.54	19.13	-0-	19.13
6-21	" 1204	35.43	253.41	12.67	-0-	12.67
7-9	" 23	29.62	382.84	19.14	-0-	19.14
7-26	" 81	16.31	226.76	11.34	-0-	11.34
8-19	" 132	10.13	107.87	5.39	-0-	5.39
9-4	" 172	18.56	222.55	11.13	-0-	11.13
10-21	" 303	37.70	597.30	29.87	29.87	-0-
10-28	" 320	26.50	392.51	19.63	19.63	-0-
11-4	" 335	31.30	405.75	20.29	-0-	20.29
12-9	" 412	11.81	149.02	7.45	-0-	7.45
TOTALS - SHEET MICA		1,350.57	$19,378.91			
1957 - 5-3 Scrap Mica		2,190.00	$32.85	1.65	1.65	-0-
July "		1,680.00	25.20	1.26	-0-	1.26
" Punch Mica		236.00	11.80	.59	-0-	.59
TOTALS		5,456.57	$19,448.76	$972.43	$162.31	$810.12

Check Sheet of Examining Engineer

Operator's Name J.R.Beam & Howard Boone, Ptnrs.

Address Spruce Pine, N.C.

Brown Ingram Prospect

Exploration Contract No. Idm-E675 Docket No. DMEA-3282

	Check One Yes	No
1. (a) Does the Operator stockpile ore subject to royalty repayment?		X
(b) If so, is segregation and identification procedure adequate?		
2. (a) Does Operator commingle production subject to DMEA 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?	X	
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 royalties?		X
7. Does the Operator buy from or sell to other Operators?		X

8. Comment on any item 2 (b) to 6 if answer is No.

3.2(a) Operator stockpiles mica scrap until a sufficient amount is obtained to make a sale.

6. Present Operator has not properly reported his production and is presently $810.13 in arrears on royalty payments.

W. A. Beck, Mining Engineer

Date 2-19-58

82448

MAR 24 1958

Mr. Robert A. Laurence
Executive Officer
DMEA Field Team, Region V
Room 13, Post Office Building
Knoxville 2, Tennessee

Re: Docket No. DMEA-3282 (Mica)
Bean and Boone
Ingram Prospect
Avery County, North Carolina
Contract No. Idm-F675

Dear Mr. Laurence:

I am enclosing the original and two copies of Mr. Fisher's report of royalty review dated March 19, 1958, pertaining to the subject contract.

If you concur with the findings, the original should be forwarded to the Regional Finance Officer, a copy should be retained in your files, and a copy should be sent to the landowner.

This completes the reports to be issued as a result of Mr. Fisher's audit trip to Knoxville last month. Thanks for your cooperation and the assistance and courtesies of Mr. Beck and others in the Region V office.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

Enclosures

CEFisher/ama
March 24, 1958

Copy to: Docket
Admr. Reading File
Helen R. Miller
Mr. Chambers

TRIPLICATE

STANDARD FORM 201 (Formerly Cert. of Deposit, Form 1)
Promulgated Oct. 1949 by Treasury Dept., Fiscal Service

THIS DEPOSIT IS NOT SUBJECT TO CHECK

Oak Ridge, Tennessee

DEPOSIT NO. 14-23-070-48

For credit of 5369 Br. Troy, Regional Office, Oak Ridge, Tenn. 12/4/57
(Name, title, and disbu[redacted] or other identification symbol of accountable officer) [redacted] (Date sent)

deposited with Hamilton National Bank, Knoxville, Tennessee
(Name and location of depositary)

$ 19.63

for accounts listed below. SCHEDULE NOS.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
14X4401	Idm-E675 (Beam and Boone) Royalty Payment	$19.63

(Depositor will insert below his name, title, Department or Agency concerned, and his address)

Defense Minerals Exploration Administration
Bureau of Mines, Dept. of Interior
Helen B. Miller, Personal Assistant
P. O. Box 217
Norris, Tennessee

SPACE BELOW TO BE USED BY DEPOSITARY ONLY

I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

(Authorized signature)

(Date of credit in Treasurer's account)

DEPOSITARY WILL DATE, SIGN, AND RETURN THIS TO DEPOSITOR FOR HIS RETAINED COPY

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STANDARD FORM 201 (Formerly Cert. of Deposit, Form 1)
Promulgated Oct. 1949 by Treasury Dept., Fiscal Service

THIS DEPOSIT IS NOT SUBJECT TO CHECK

Oak Ridge, Tennessee

DEPOSIT NO. 14-23-070-47

For credit of 5369 Br. Tr[illegible] Regional Office, Oak Ridge, Te[illegible]. 12/3/57
(Name, title, and disb[illegible] or other identification symbol of accountable officer) (Date sent)

deposited with Hamilton National Bank, Knoxville, Tennessee
(Name and location of depositary)

$ 29.87

for accounts listed below. SCHEDULE NOS.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
14X4401	Idm-E675 Beam and Boone (Royalty Payment)	$29.87

(Depositor will insert below his name, title, Department or Agency concerned, and his address)

Defense Minerals Exploration Administration
Bureau of Mines, Dept. of Interior
Helen R. Miller, Personal Assistant
P. O. Box 217
Norris, Tennessee

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I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

(Authorized signature)

(Date of credit in Treasurer's account)

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C
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November 8, 1957

By administrative decision November 7, 1957, Mr. Frank E. Johnson, after consultation with Mr. Robert Dwyer and Mr. Henry Rubin on the legal aspects, decided to make no demand upon the Operators and not to advise the Field Team to stop pursuing the land owners. We will accept any royalty offered voluntarily, although we apparently have no legal right. Mr. Rubin suggests we may have a moral right.

/s/ Houk

Legal advised because the abondonment clause was not deleted and the rights to royalty were doubtful.

Re: Docket No. DMEA-3282-Mica
J. R. Beam and Howard Boone
Ingram Prospect
Avery County, North Carolina
Contract No. Idm-E675

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
ROOM 13 POST OFFICE BLDG.
KNOXVILLE 2, TENN.

November 1, 1957

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DMEA
RECEIVED NOV 4 1957

DATE	INITIALS	CODE
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Memorandum

To: Operating Committee, DMEA - Washington

From: Robert A. Laurence, Executive Officer, DMEA - Reg. V

Subject: DMEA-3282, Idm-E675(mica) J. R. Beam and Howard Boone, Spruce Pine, N.C. Ingram Prospect, Avery County, N.C.

On October 3, 1957, I wrote to Mr. Brown Ingram, the land owner, requesting payment of royalty due on mica he has sold from the Ingram Prospect.

No reply has been received. Therefore, I am referring the matter to you for appropriate action.

Robert A. Laurence

RAL/zm

$782.40 due?

Oak Ridge, Tennessee

THIS DEPOSIT IS NOT SUBJECT TO CHECK

DEPOSIT NO.
14-23-070-114

For credit of 5369 Br. Trsy [redacted] Regional Office, Oak Ridge, Ten[redacted] 6/24/57
(Name, title, and disbursin[redacted] other identification symbol of accountable officer) (Date sent)

deposited with Hamilton National Bank, Knoxville, Tennessee
(Name and location of depositary)

$ 30.00

for accounts listed below. SCHEDULE NOS.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
14X4401	Idm-E675 Beam & Boone (Royalty Payment)	$30.00

(Depositor will insert below his name, title, Department or Agency concerned, and his address)

Defense Minerals Exploration Administration
Bureau of Mines, Dept. of Interior
Helen R. Miller, Personal Assistant
P. O. Box 217
Morris, Tennessee

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I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

(Authorized signature)

(Date of credit in Treasurer's account)

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Promulgated Oct. 1949 by Treasury Dept., Fiscal Service

Oak Ridge, Tennessee

THIS DEPOSIT IS NOT SUBJECT TO CHECK

DEPOSIT NO. 14-23-070-107

For credit of 5369 Br. Trsy. [redacted]gional Office, Oak Ridge, Tenn. [redacted]/3/57
(Name, title, and disbursing [redacted] other identification symbol of accountable officer) (Date sent)

deposited with Hamilton National Bank, Knoxville, Tennessee
(Name and location of depositary)

$ 24.45

for accounts listed below. SCHEDULE NOS.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
14X4401	Idm-E675 Ingram Prospect (Royalty Payment)	$24.45

(Depositor will insert below his name, title, Department or Agency concerned, and his address)

Defense Minerals Exploration Administration
Bureau of Mines, Dept. of Interior
Helen R. Miller, Adm. Asst.
P. O. Box 217
Norris, Tennessee

SPACE BELOW TO BE USED BY DEPOSITARY ONLY

I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

(Authorized signature)

(Date of credit in Treasurer's account)

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TRIPLICATE

STANDARD FORM 201 (Formerly Cert. of Deposit, Form 1)
Promulgated Oct. 1949 by Treasury Dept., Fiscal Service

June 10, 1957

Memorandum

To: Chairman, Operating Committee

From: Jay L. Chambers, Director (Signed) J. L. Chambers
Contract Administration and Audit Division

Subject: Docket No. DMEA-3282 (Mica), J. R. Bean and Howard Boone, Ingram Prospect, Avery County, N. C., Contract Idm-E675

I am transmitting the attached letter to the Operating Committee with my surname, however, I doubt very much whether it should be sent for the following reasons:

1. Our policy has been in the past that the Washington office does not deal directly with the operator in the field unless asked to do so by the Executive Officer or Field Team.

2. Article 7 of the contract has an abandonment clause in it.

3. While Annex II was written, in my opinion, to make the operator liable for royalty on any production, the contract says that Annex II was substituted for Article 6 which does not have the abandonment clause. This has created a legal doubt, and, in my opinion, we would have to look entirely to the lessor for royalty.

4. The lessor told a field representative that he intends to pay the royalty on the production made by his son and partner.

5. I think this may give encouragement to the lessor to hold out further on the royalty, thinking that we will pursue our course against the operator.

Attachment

JLChambers/wb
June 10, 1957

Copy to: Mails & Files
Admr. Reading File
Mr. Chambers

Oak Ridge, Tennessee

THIS DEPOSIT IS NOT SUBJECT TO CHECK

For credit of 1428 Br. Trsy. Regional Office, Oak Ridge, Tenn. 5/15/57

(Name, title, and disbursing [illegible]er identification symbol of accountable officer) (Date sent)

deposited with Hamilton National Bank, Knoxville, Tennessee

(Name and location of depositary)

DEPOSIT NO. ~~14-23-070-104~~

$ 27.20

for accounts listed below. SCHEDULE NOS.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
14X4401	Idm-F675 J. R. Beam & Howard Boone (Royalty)	$27.20

(Depositor will insert below his name, title, Department or Agency concerned, and his address)

Defense Minerals Exploration Administration
Bureau of Mines, Dept. of Interior
Helen R. Miller, Adm. Asst.
P. O. Box 217
Norris, Tennessee

SPACE BELOW TO BE USED BY DEPOSITARY ONLY

I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

(Authorized signature)

MAY 15 1957

(Date of credit in Treasurer's account)

DEPOSITARY WILL DATE, SIGN, AND RETURN THIS TO DEPOSITOR FOR HIS RETAINED COPY

16—59686b-1 GPO

TRIPLICATE

STANDARD FORM 201 (Formerly Cert. of Deposit, Form 1)
Promulgated Oct. 1949 by Treasury Dept., Fiscal Service

E-675

For Certificate of Deposit No. 97, dated May 1, 1957, giving royalty payment of $23.11, see E-659.

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed all copies of settlement sheets on file with the Executive Officer, DMEA Field Team, Region V, applicable to royalties collected on the sales of mica for the period June 7, 1954, to March 9, 1955, by:

J. R. Bean and Howard Boone, Partners

Spruce Pine, North Carolina

produced from property referred to as the Ingram Prospect located in Avery County, North Carolina, under terms of Contract Idm-E675, Docket No. DMFA-3282.

My review included a conference with Mr. William A. Beck, Mining Engineer, U. S. Bureau of Mines, Knoxville, Tennessee, who is thoroughly familiar with the project.

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

(1) The production involved was incidental to the exploration operations;

(2) A review of the records of General Services Administration Mica Purchase Depot, Spruce Pine, North Carolina, did not disclose any other sales of mica from this mine since the effective date of the exploration contract; and

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

The audit established the total sales of mica for this period to be $161.08. Royalty due the U. S. Government at the contract rate of 5 percent is $8.05. The royalty paid and balance due are as follows:

Total Royalties Due	$ 8.05
Total Royalties Paid	8.05
Balance of Royalties Unpaid	$ -0-

G. E. Fisher
G. E. Fisher, Auditor

March 21, 1955

For Certificate of Deposit No. 10, dated August 2, 1954, giving royalty repayment of $8.05, see E-181.

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Report of:

J. R. Beam and Howard Boone

Spruce Pine, North Carolina

pertaining to Exploration Project Contract No. Idm-E675, Docket No. DMEA-3282, for the month of June 1954, covering a project for the exploration of mica on property, known as the Ingram Prospect, located in Avery County, North Carolina.

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, verification of work performed by reference to reports of Field Team representatives, and a determination of the reasonableness and propriety of the costs.

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

all of the costs incurred were under a contract provision for payment by the Government on the basis of agreed estimated 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		$1,306.00
Exceptions:		
By DMEA Finance Officer	$ -0-	
Herewith	-0-	-0-
Total Accepted Costs		$1,306.00

The contract calls for a 75 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Nine hundred seventy-nine and 50/100 Dollars,

$979.50

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.

E. D. Talbert

E. D. Talbert, Auditor

August 11, 1954

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
ROOM 25 POST OFFICE BLDG.
KNOXVILLE 2, TENN.

August 17, 1954

Mr. Jay L. Chambers, Chief
Finance Administration and Audit Div.
DMEA
Washington, D. C.

Dear Mr. Chambers:

The Reports of Review covering the following completed or terminated projects have been received, and forwarded to the Certifying Officer after comparison with our records here:

Contract No.	Docket No.	Operator
Idm-E 602	DMEA-2371	Joe A. Beasley
" 665	" 3216	The Hector Mining Co.
" 675	" 3282	J. R. Beam and H. Boone

However, I wish to point out that Idm-E 675 has not been actually terminated yet. We requested permission to terminate, in a memo to the Operating Committee on July 20 and advised the Operator to suspend work. As soon as permission to terminate is received, we will send a termination agreement form to the Operator for signature, and I do not anticipate any objection to termination, either by the Washington staff or the Operator.

Sincerely,

Robert A. Laurence
EXECUTIVE OFFICER
DMEA REGION VII

RAL/am
cc
Beck
Lynch
Files

Spruce Pine, N. C.
July 15, 1954

Mr. Robert T. Laurence, Executive Officer
TVA, Region VII
Room 1[illegible], Post Office Building
Knoxville, Tennessee

Re: [illegible] A-3242, Ion-[illegible]75
Ingram Prospect
Final Report

Dear Mr. Laurence:

Work began on June 11 on the Ingram Prospect, and was completed on June 30. We bulldozed two cuts, uncovering mica in as few as four or five places on the first cut and in three places on the second cut. We recovered a total of about [illegible] lbs. of mica; 250 lbs. on the first and 15[illegible] lbs. on the second cut. The field team visited the site, and test pits were located by them. We completed [illegible] feet of test pitting with little mica recovered. Each time the test pitting went through the vein and out of vein material.

It was necessary to bring in a truck with a hoist on the back to help sink the test pits. No other difficulty was encountered, and although vein was hit, the pitting was not successful and no mica was recovered.

Upon the advice of the field team, the project was closed up on June 30.

The operators wish to thank the field team for their cooperation on this project. If any further information is necessary for the completion of the records, please let us know.

Very truly yours,

J. P. Deem

JPD

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

Month of [illegible], 195[illegible] Docket No. DMEA [illegible] Contract No. [illegible]
Operator's Name [illegible] Minerals [illegible]
Address [illegible]
Contract Amount, $[illegible] Government Participation: 75 % Amount, $[illegible]

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 [illegible]	[illegible]	0	[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]	1306.00		1306.00

PAID ON VOUCHER & SCHEDULE OF PAYMENTS K-7

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

Date [illegible] *Payee [illegible]

Per [illegible] 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:

$ 979.50

Signature [illegible]
(Authorized Certifying Officer)

Date JUL 22 1954 Vou. No. 18

(See other side)

1 of 7

S-6/11
C-6/30

326.50

(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. Idm-E675 in accordance with the terms of the contract.

Signature Lawrence E. Shirley Title Mining Engr. 4.S.B.M. Date July 16, 1954

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature Robert A. Lawrence Title EXECUTIVE OFFICER DMEA REGION VII Date JUL 19 1954

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.

18

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of [illegible] 1954 Docket No. DMEA [illegible] Contract No. [illegible]
Operator's Name [illegible] Minerals [illegible]
Address [illegible]

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								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
(60) Test Pits @ 26.00 Ft.	Ft.	1096.00	(60)	1096.00	(60)	26.00	100	26.00
Roads and Trails								
Drill Costing	Hr.	210.00	22-2/3	210.00	22-2/3	10.00		216.00
TOTAL DISTRIBUTED COSTS		1306.00		1306.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		[illegible]		[illegible]				

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 [illegible] Operator [illegible]

Per [signature] Title [illegible]

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.

REMARKS:

(Instructions on reverse)

(For Government use only)

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

OPERATORS
MONTHLY REPORT OF PROGRESS

For the month of June

1954

DMTA-3232

Contract No. Idm-E675

Date Work Began: June 11,1954

Work Accomplished:

Work began on June 11, and all the bulldozing work was completed, then we completed 68½' of test pitting by the end of the month. No difficulty was encountered. We bulldozed two cuts, uncovering mica veins in four or five places on the first cut, and in three places on the second cut. We recovered about 250 lbs. of mica on the first cut, and about 150 lbs. of mica on the second. We sank test pits at places located by the field team, but have gotten very little mica as a result of this pitting. We went through the vein in each instance as we sank.

Daily Notes:

June 11, 12 & 14: Bulldozed two cuts, with a total of 11-2/3 hours bulldozing time. Uncovered mica veins in several places.

June 15 through18: Recovered mica from the cuts, totaling 250 lbs. on first and 150 lbs. on the second. Field team visited site on June 16 and located test pit areas. On June 17 test pitting began.

June 21 thru 25: Continued sinking test pits, going through the vein material and running out of vein. No mica recovered.

June 28 thru 30: It was necessary to bring in a truck with a hoist on the back to help sink the test pits. Vein material encountered, but little mica recovered. In each case the pits went through the vein and vein ran out.

JUN 9 1964

Mr. Brown Ingram
Box 216
Newland, North Carolina

Re: DMEA-3262 (Mica)
J. R. Beam and Howard Boone
Ingram Prospect
Avery County, North Carolina
Contract Idm-E675

Dear Mr. Ingram:

By the terms of the subject Exploration Project Contract and the certification of discovery or development dated October 22, 1954, all minerals mined or produced from June 7, 1954, to June 7, 1964, were subject to the Government's royalty as set forth in said contract.

As the period during which 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 or any future production therefrom. We, therefore, are closing our books and records on this contract.

Sincerely yours,

George Fumich, Jr.

Acting Director

MMerrithew/mm
6/8/64
cc: Director's Reading File
Region IV, R. A. Laurence
CA&A Division
Docket
Code 500

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

600

CERTIFICATION BY THE UNITED STATES OF AMERICA
OF A DISCOVERY OR DEVELOPMENT UNDER
AN EXPLORATION PROJECT CONTRACT

To: J. R. Dunn and Howard Boone

Spruce Pine, North Carolina

Pursuant to the provisions of Exploration Project Contract No. Ion-6675 dated June 7, 1954 (Docket No. DMEA-1282), hereinafter called the "contract" between you and the United States of America, hereinafter called the "Government", to establish and fix the Government's percentage royalty on production and its lien thereon and on the land described in the contract, the Government considers and therefore certifies that discovery or development from which production may be made has resulted from the exploration work.

The nature of said discovery or development is described broadly or indicated as follows:

Two conformable pegmatites about three feet apart in mica schist were explored by surface trenches and test pits. As a result of this work sufficient data were obtained to calculate indicated and inferred reserves of mica.

THE UNITED STATES OF AMERICA

By C. D. Mitteudorf
Administrator, Defense Minerals
Exploration Administration

Dated: OCT 2 2 1954

JHopkins:gad 9/27/54
Copy to: Mr. Brown Ingram (Attached to Field Team copy for forwarding)
Mr. Irving Gumbel, EPS, GSA
Docket File
Admr. R. File
Mr. Hedges, 4604
Mr. Chambers
Mr. Johnson
Field Team, Region VII
Mr. Kiilsgaard, 5227
Operating Committee
Finance Office
Mr. Houk

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

600

OCT 25 1954

Messrs. J. R. Beam and
Howard Boone
Spruce Pine, North Carolina

Re: Docket No. DMEA-3282 - Mica
Ingram Prospect
Avery County, North Carolina
Contract No. Idm-B675

Gentlemen:

Transmitted herewith is a certification of discovery or development on Contract No. Idm-B675 on the Ingram Prospect, Avery County, North Carolina.

By the terms of the Exploration Project Contract and of the certification, all production from the property from the date of the Exploration Project Contract, June 7, 1954, is subject to the Government's percentage royalty as set forth in the contract until the sum of $979.50 is paid or until June 7, 1964, whichever occurs first.

Payments should be made to Mr. Robert A. Laurence, Executive Officer, Defense Minerals Exploration Administration Field Team, Region VII, Room 13, Post Office Building, Knoxville 2, Tennessee. Checks should be drawn payable to the Defense Minerals Exploration Administration. The purchaser should be advised to deduct the royalties from the amount due on each shipment and forward check to the Executive Officer.

Royalty payments to the Government should be accompanied by suitable evidence, such as copies of settlement sheets showing quantity and grade of ore sold, the name of the purchaser, and the price and charges certified to be correct by the purchaser.

You are requested to notify Mr. Laurence of any changes in ownership or production rights that may have any effect on the Government's right to its percentage royalty. Also, if production ceases at any time for any extended period, please notify Mr. Laurence at six-month intervals that no production has been made.

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosure

JHopkins:gad 9/27/54

Copy to: Admr. R. File
Docket
Mr. Johnson
Mr. Chambers
Mr. Hook
Mr. Hodges, 4604
Field Team, Region VII
Mr. Hillsgaard, 5227
Operating Committee

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C. 600

OCT 25 1954

Mr. Irving Gumbel, Acting Director
Materials Division
Emergency Procurement Service
General Services Administration
Washington 25, D. C.

Re: Docket No. DMEA-3482 - Mica
J. R. Beam and Howard Boone
Ingram Prospect
Avery County, North Carolina
Contract No. Idm-8675

Dear Mr. Gumbel

I am enclosing one copy of a certification of discovery or development relating to the subject contract.

The exploration contract was signed on June 7, 1954, with the Government participating to the extent of 75 percent of $1,816.00 or $1,362.00.

The project was started on July 11, 1954, and completed July 30, 1954, after the expenditure of $1,306.00 which is the total net accepted cost according to the Audit Review. The Government paid 75 percent of the total accepted cost or $979.50.

The work performed on this project consisted of bulldozing two trenches, each 300 feet long, 12 feet wide by 6 feet deep, and sinking nine 5x5 foot test pits for an aggregate depth of 68 1/4 feet on two parallel conformable pegmatites. The average thicknesses of the pegmatites is five feet. The exploration furnished sufficient data to calculate indicated reserves of 1,200 pounds of "mine run" mica, and inferred reserves of 5,000 pounds of "mine run" mica.

The DMEA concurs with the field team evaluation of the work performed and has certified that a discovery or development has resulted from the work under this contract

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosure

JHopkins:gad 10/19/54

Copy to: Admr. R. File
Docket
Mr. Johnsen
Mr. Chambers
Mr. Kiilsgaard, 5229
Mr. Hedges, 4604
Operating Committee
Field Team, Region VII
Mr. Houk

Docket No. [illegible]

Commodity [illegible]

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 [illegible]

Date of Contract ~~or Amendment~~: June 7, 1954

Name and Address of Operator:
The Ingram Prospect
Avery, N. C.

Amount of Government participation _____ $ 1,361.00

Percent of Government participation 25 %

Region: VIII State: N. C.

Note: Please release $ 302.50

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

Date Delivered to Bureau of Mines, Washington. 8/13/54

54458

Docket No. DMEA 3282

Commodity Mica

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 675

Date of Contract ~~or Amendment~~ June 7, 1954

Name and Address of Operator:
J. R. Beam and Howard Boone
d/b/a The Ingram Prospect
Avery County, N. C.

Amount of Government participation $ 1,362.00

Percent of Government participation 75 %

Region: VIII State: N. C.

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

Date Delivered to Bureau of Mines, Washington.

6/7/54

54458

MF-200 (A)
(February 1952)

DOCKET NO. MEA-3282

COMMODITY Mica

IDM - E - 675
Government's Copy

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 16 1954

EXPLORATION PROJECT CONTRACT[1]

(Short Form)

IT IS AGREED this 7 day of June, 1954 between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] J. R. Beam and Howard Boone, Partners
Spruce Pine, North Carolina

hereinafter called the "Operator," as ~~follows:~~ set forth in Annexes I and II, attached hereto and made a part hereof, and as follows:

ARTICLE 1. *Authority for contract.*—This agreement is entered into under the authority of the Defense Production Act of 1950, as amended, pursuant to DMEA Order 1 entitled "Government Aid in Defense Exploration Projects."

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of North Carolina, County of Avery, described as ~~follows:~~ set forth in Annex I,

the Operator represents and undertakes:[4]

(*a*) ~~That the Operator is the owner, in possession and entitled to possession, and that the property is subject only to the following claims, liens, or encumbrances as to each of which the subordination agreement of the holder is attached:~~

(*b*) That the Operator is a lessee, in possession and entitled to possession, and the Owner's Consent to Lien is attached.

The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof.

ARTICLE 3. *Exploration project.*—The Operator, within 30 days from the date of this contract shall commence work on a project of exploration for[5] Mica

in or upon the described land; and shall bring the project to completion within a period of Six (6) Months from the date of this contract. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided. The work shall be performed by the Operator or by independent contractor or contractors efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmen's compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 4. *Costs of the project.*—The agreed, estimated costs of performing the work, expressed in terms of units of work to be performed (per foot of drifting, per foot of drilling, per cubic yard of material to be moved, etc.) are set forth in Exhibit "A," attached hereto. The Government will pay 75 percent of these agreed, estimated costs, as they accrue, for units of work actually performed that conform with the description or specifications for the work set forth in this contract, in an aggregate total amount not in excess of $1,362.00, which is 75 percent of $1,816.00, the agreed, estimated total cost of the project in which the Government will participate: *Provided,* That until the Operator's final report and final accounting have been rendered to the Government and any final check or 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 ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract. The Government may, as it sees fit, make payments direct to the Operator's independent contractors, if any, for the account of the Operator, rather than to the Operator.

ARTICLE 5. *Reports, accounts, audits.*—(*a*) *Progress reports.* The Operator shall provide the Government with monthly reports of units of work performed under the contract, in quintuplicate (five copies), upon forms provided by the Government. These progress reports shall be certified by the Operator, and shall constitute both the Operator's invoice of units of work performed on the project during the period covered by the report and his voucher for repayment by the Government, unless the Government requires the use of a standard voucher form with invoice attached. Progress reports shall include surface and/or underground engineering-geological maps or sketches showing the progress of the exploration, with assay-reports on samples taken concurrently with the advance in mineralized ground.

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] State name, address, and nature of organization if any.
[3] Give legal description or enough to identify the property, particularly excluding any land or interest therein to which the Government's lien is not to attach or the production from which is not to be subject to the Government's percentage royalty.
[4] Strike out the provision not applicable.
[5] Name of mineral or minerals.

(*b*) *Final report.*—Upon completion of the exploration work or termination of the contract the Operator shall provide the Government with an adequate geological and engineering report, in quintuplicate (five copies), including an estimate of ore reserves resulting from the exploration work.

(*c*) *Compliance with requirements.*—If, in the opinion of the Government, any of the Operator's reports are insufficient or incomplete, the Government may procure the making or completion of such reports and attachments as an expense of the exploration work; and the Government may withhold approval and payment of any vouchers depending upon insufficient or incomplete reports.

(*d*) *Accounts and audits.*—The Operator shall keep suitable records and accounts of the units of work performed, which the Government may inspect and audit at any time. The Government may at any time require a check of the work performed and an audit of the Operator's records and accounts, by a certified public accountant or otherwise, the cost thereof to be treated as a cost of the project. The Operator shall keep and preserve said records and accounts for at least 3 years after the completion of the project or the termination of this contract. Upon the completion of the project or termination of the contract the Operator shall render a final account and statement of work performed to accompany his final report.

ARTICLE 6. *Repayment by Operator.*—(*a*) If, at any time, the Government considers that a discovery or a development from which production may be made has resulted from the exploration work, the Government, at any time not later than 6 months after the Operator has rendered the required final report and final account, may so certify in writing to the Operator. The certification shall describe broadly or indicate the nature of the discovery or development. In the event of such certification, any minerals mined or produced from the land described in Article 2 within 10 years from the date of this contract, including any mined or produced before the certification, shall be subject to a percentage royalty which the Operator or his successor in interest shall pay to the Government, upon the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, until the total amount contributed by the Government, without interest, is fully repaid, or said 10 years have elapsed, whichever occurs first, as follows:

(1) One and one-half (1½) percent of any such net amounts not in excess of eight dollars ($8.00) per ton.

(2) One and one-half (1½) percent of any such net amounts, plus one-half (½) percent of such net amounts for each additional full fifty cents ($0.50) by which such net amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such net amounts.

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

(*b*) As here used, "net smelter returns," "net concentrator returns," and "other net amounts realized from the sale or other disposition," mean gross revenue from sales, or if not sold, the market value of the material after it is mined in the form in which and the place where it is held. In the case of integrated operations in which the material is not disposed of as such, these terms mean what is or would be the gross income from mining operations for percentage depletion purposes in income-tax determination.

(*c*) To secure the payment of its percentage royalty, the Government shall have and is hereby granted a lien upon the land described in Article 2 and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

(*d*) This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations. See Annex II, Substituted for Article 6.

ARTICLE 7. *Assignment, transfer, or loss of Operator's interest.*—Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder. The Operator shall not make any voluntary nor permit any involuntary transfer or conveyance of the Operator's rights in the land described in Article 2, without making suitable provision for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof; *Provided*, that mere failure by the Operator to maintain the Operator's rights in the land, without any consideration running to the Operator other than relief from the cost of maintaining such rights (as by surrender of a leasehold, failure to perform assessment work, or failure to exercise an option), coupled with complete abandonment by the Operator of all interest in or operations on the land for a period of 10 years from the date of this contract, shall not constitute such a transfer or conveyance. Should the Operator make or permit any transfer or conveyance in violation of this provision, the Operator shall be and remain liable for payment to the Government of the same amounts, at the same times, as would have been paid under the terms of the percentage royalty on production. If for any reason the net smelter returns, net concentrator returns, or other net amounts realized from the sale or other disposition of such production are not available as a means of measuring the amount of the Operator's liability, the amount thereof shall be estimated as well as may be, and in the event of dispute as to such estimates, the determination thereof by the Administrator of Defense Minerals Exploration Administration or by his successor shall be final and binding upon the Operator.

ARTICLE 8. *Termination and completion.*—The Government may, at any time, by written notice to the Operator, terminate this contract: (*a*) If the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (*b*) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (*c*) if, in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worth while discovery and in the opinion of the Government further operations are not justified.

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

None

Executed in sextuplicate the day and year first above written.

J. R. Beam

~~(Operator)~~ J. R. Beam (Partner)

By Howard Boone

Howard Boone (Partner)

THE UNITED STATES OF AMERICA

By O. Mitchendorf

Administrator, Defense Minerals Exploration Administration

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

[CORPORATE SEAL]

U. S. GOVERNMENT PRINTING OFFICE 16—66329-1

EXPLORATION PROJECT CONTRACT
J. R. BEAM AND HOWARD BOONE, PARTNERS
DOCKET NO. DMEA-3282

ANNEX I

The land referred to in Article 2 of the contract form is known as the Ingram Prospect and was leased for mining purposes to J. R. Beam and Howard Boone for a period of five years by Brown Ingram, by an instrument dated March 10, 1954. It is located 1.56 airline miles N. 45° E. of Ingalls, Avery County, North Carolina, and is described in the lease as follows:

> Beginning on a white oak, Ather Taylor's S.W. corner, and runs North 6½ degrees West 76 poles with Taylor's line to a chestnut tree, Taylor's and Ingram's corner; thence North 75 degrees West 65 poles to an apple tree in a field; thence South 55 degrees West 15 poles and 5 links to a water oak; thence North 88½ West 20 poles to a poplar, Phillips' and Ingram's old corner; thence South 12 degrees West with Phillips' line 38 poles to a locust; thence South 66 degrees East about 120 poles to the beginning, containing 40 acres, more or less.

EXPLORATION PROJECT CONTRACT
J. R. BEAM AND HOWARD BOONE, PARTNERS
DOCKET NO. DMEA-3282

OF THE INTERIOR
Lands Administration
RECEIVED
JUN 16 1954

ANNEX II

The following provisions are in lieu of Article 6 :

Repayment by Operator.--a. Certification.--If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered the final report and final account, 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, for a period of ten years from the date of the contract, or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first.

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

* The "land" refers to the land described in Article 2 of the contract form.

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 raw 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 ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) 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 ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

f. 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.

g. 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.

h. 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 mining or production operations.

i. 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.

58694

EXPLORATION PROJECT CONTRACT
J. R. BEAM AND HOWARD BOONE, PARTNERS
DOCKET NO. DMEA-3282

EXHIBIT "A"

Description of the Work

The work shall be done in two successive stages. Stage II shall be undertaken only after prior approval of the Government. The location, direction, and extent of all work are subject to the approval of the Government.

Stage I

Bulldoze 2 trenches, each 300 feet long, 12 feet wide, and 6 feet deep, approximately as indicated in Prospect Area #3 on the attached map entitled "Sketch of Ingram Pros., Avery Co., N. C., DMEA-3282 (mica)."

Stage II

In Prospect Area #3, sink not to exceed an aggregate of 100 feet of test pits with dimensions of 5 feet in length and 5 feet in width. The location and depth of each pit is subject to the approval of the Government.

Agreed Unit Costs

1.	Bulldozing, 12 hours @ $18.00/hr.	$216.00
2.	Sinking 100 feet of test pits @ $16.00/ft.	1,600.00

Agreed Estimated Total Cost of Project	$1,816.00
Government Participation @ 75%	$1,362.00

MF-203
(Revised July 1, 1953)

OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, ~~as owner, lessor, or seller~~ has an interest in certain property in the State of North Carolina, County of Avery, described as follows:1/ Beginning on a white oak, Ather Taylor's S.W. corner, and runs North 6½ degrees West 76 poles with Taylor's line to a chestnut tree, Taylor's and Ingram's corner; thence North 75 degrees West 65 poles to an apple tree in a field; thence South 55 degrees West 15 poles and 5 links to a water oak; thence North 88½ West 20 poles to a poplar, Phillips' and Ingram's old corner; thence South 12 degrees West with Phillips' line 38 poles to a locust; thence South 66 degrees East about 120 poles to the beginning, containing 40 acres, more or less,

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/ J. R. Beam of Kalmia, N. C., and Howard Boone of Spruce Pine, N. C., doing business as The Ingram Prospect,

hereinafter called the "Operator"; and

WHEREAS, under the provisions of said contract the Government is entitled to a percentage royalty on production (~~as set forth on the reverse side hereof~~) 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.

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 11 day of June, 1954.

Brown Ingram [Seal]
Brown Ingram

_____ [Seal]

_____ [Seal]

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.

~~RELEVANT CONTRACT PROVISIONS~~

~~Repayment by Operator.--a. Certification.--If at any time the Government considers that~~ a discovery or development from which production may be made has resulted from the exploration work, the Government, at any time not later than six months after the Operator has rendered the final report and final account, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

b. Percentage royalty.--The Operator, or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land described in Article 2,--(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 of discovery or development, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first, unless the Government waives its right to a royalty; or (2) if the Government makes a certification of discovery or development, for a period of ten years (or other period fixed by the contract) from the date of the contract, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, as follows:

(a) One and one-half ($1\frac{1}{2}$) per cent of any such net amounts not in excess of eight dollars ($8.00) per ton.

(b) One and one-half ($1\frac{1}{2}$) per cent of any such net amounts, plus one-half ($\frac{1}{2}$) per cent of such net amounts for each additional full fifty cents ($0.50) by which such net amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) per cent of such net amounts.

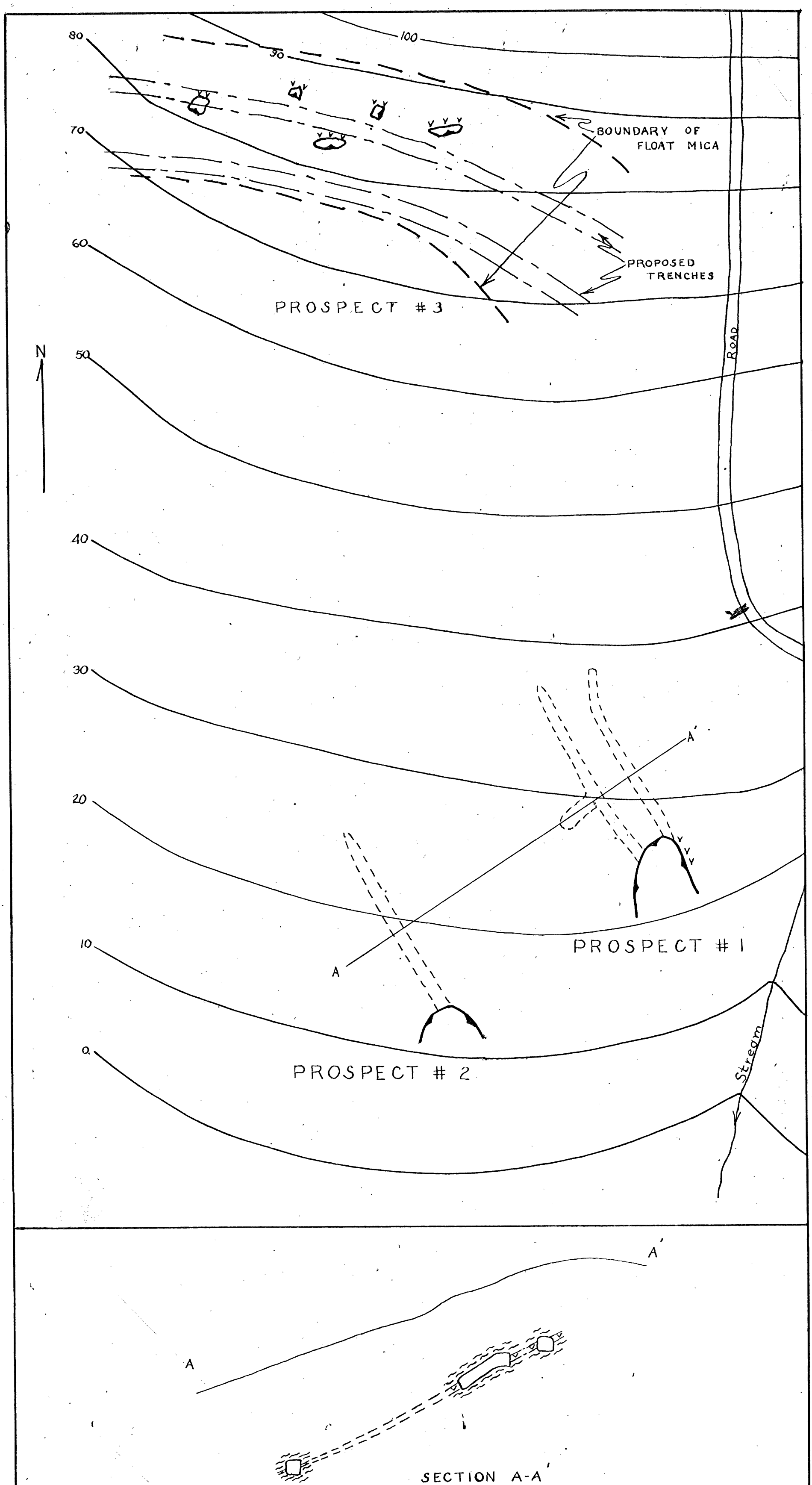
(For instance: the percentage royalty on a net amount of five dollars ($5.00) per ton, would be one and one-half ($1\frac{1}{2}$) per cent; on a net amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) per cent.)

c. Definitions.--As here used, "net smelter returns", "net concentrator returns", and "other net amounts realized from the sale or other disposition", mean gross revenue from sales; or if not sold, the market value of the material after it is mined in the form in which and the place where it is held. In the case of integrated operations in which the material is not disposed of as such, these terms mean what is or would be gross income from mining operations for percentage depletion purposes in income tax determination.

d. Lien for Payment.--To secure the payment of its percentage royalty, the Government shall have and is hereby granted a lien upon the land described in Article 2 and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

e. Notice to Purchasers.--The Operator shall notify any purchaser of the production of the Government's royalty interest, and shall authorize and direct the purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets; but failure or refusal by the purchaser to comply shall not relieve the Operator of liability to pay any royalty falling due.

f. No Obligation to Produce.--This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production ~~operations.~~



SKETCH OF
INGRAM PROS.
AVERY CO., N. C.

DMEA - 3282 (mica)