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 Ida-5814, Docket DMRA-3740 (mica), dated June 10, 1955, with

Roy Grindstaff, B. G. Thomas, and W. J. Boone
Route 3
Bakersville, 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 Conley Mine located in Mitchell County, North Carolina, during the period June 16, 1960, through August 27, 1962.

A certification of discovery or development was issued on April 13, 1956, and, in accordance with Article 8 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. An Audit Certificate dated February 1, 1956, indicated accepted costs under the exploration contract amounting to $4,488.00 with the Government's contribution on a 75 percent basis being $3,366.00.

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

This review established the total sales subject to the Government's royalty for the period to be $285.25. Royalty payable to the Government at the rate specified in the contract is $14.26.

A prior Report of Royalty Review found the known sales subject to the Government's royalty through June 15, 1960, to be $3,157.07, which added to the sales for this subsequent period make a total of $3,442.32. The royalty account as of June 15, 1960, was:

Total Royalty Payable	$257.84
Total Royalty Paid	257.84
Balance of Royalty Due	$ -0-

As of August 27, 1962, the royalty account of this project was found to be:

Total Royalty Payable	$272.10
Total Royalty Paid	272.10
Balance of Royalty Due	$ -0-

E. D. Talbert, OME Auditor

August 30, 1962

Idm-8814 Grindstaff, Thomas, & Boone DMRA-3740

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

This contract provides that the Operators, as principal if the producer and as surety if not the producer, shall pay the Government's percentage royalty on all mineral production from the land thereunder. The Operators were in possession of the property at the time the contract was entered into by virtue of a March 18, 1955, lease from John Conley, Route 5, Bakersville, North Carolina. The landowner executed a Consent to Lien on May 11, 1955.

The prior Report of Royalty Review dated February 5, 1962, which covered the period from February 20, 1958, through June 15, 1960, was based on the inclusion of this contract in Region IV listings of inactive North Carolina mica projects. The last such listing in the files indicates this project as one of a number "checked at the Government Purchasing Depot, Spruce Pine, N. C., or by contacting the Operators or by inquiring in and around the vicinity" during the period of June 13 through 15, 1960. However, an examination of the Depot's records by a Contract Administration and Audit Division representative during the week of June 18, 1962, disclosed a January 27, 1960, settlement in the amount of $263.65 for 23.5 lbs. of trimmed mica produced by Parsley & Grindstaff from the Conley Mine.

Demand upon the Operators for payment of the $13.18 royalty due on this sale, plus any additional royalty on unreported commercial sales, resulted in the receipt from Roy Grindstaff on August 27, 1962, of a $14.26 check. This remittance covered the 5% royalty on approximately 800 lbs. of scrap and washer mica, as well as the 23.5 lbs. of trimmed mica.

A summary of sales from the date of the contract through August 27, 1962, follows:

Sheet mica	128.43 lbs.	$1,743.36
Hand-cobbed mica	10,365.00 lbs.	3,448.76
"Mine-run" block mica	762.00 lbs.	228.60
Washer mica	200.00 lbs.	12.00
Scrap mica	600.00 lbs.	9.60
Totals	12,055.43 lbs.	$5,442.32
Royalty @ 5%		$ 272.10

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

(1) Examination of the Mica Purchase Depot's records, prior inspections of the property, and inquiries have not disclosed any production on which royalty has not been paid; and

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

800

AUG 31 1962

Memorandum

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

From: Acting Chief, Division of Field Operations, OME

Subject: DMEA-3740 (Mica)
Grindstaff, Thomas, and Boone
Conley Mine
Mitchell County, North Carolina
Contract Idm-2814

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

George C. Selfridge

Enclosure

GCSelfridge/hb
8/31/62
cc to: Docket DMEA-3740
Director's Reading File
CA&A Division
G. C. Selfridge
R. A. Laurence, USGS, Reg. IV, w/cy of Report of Royalty Review dtd 8/30/62 & orig. cy of memo dtd 8/30/62 to Chief, Division of Field Operations, from CA&A Division.
Avery Reed, USBM, Reg. IV, w/cy of ea. item sent to Mr. Laurence.

August 30, 1962

Memorandum

To: Chief, Division of Field Operations

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

Subject: DMEA-3740 (Mica)
Grindstaff, Thomas, and Boone
Conley Mine
Mitchell County, North Carolina
Contract Idm-5814

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 8-30-62

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

August 27, 1962

Memorandum

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

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

Subject: DMEA-3740 (Mica)
Grindstaff, Thomas, and Moore
Conley Mine
Mitchell County, North Carolina
Contract Lbm-5814

Enclosed for deposit to the subject DMEA account under symbol 14X4401 as a royalty receipt is an August 24, 1962, check drawn in the amount of $14.26 by Roy Grindstaff, Route 3, Bakersville, North Carolina, on The Northwestern Bank, Bakersville, N. C.

This check is in payment of royalty delinquently due the Government on mica produced from the property under the subject contract and sold by Parsley & Grindstaff, as follows:

GSA Mica Purchase Depot -			
1/27/60 SPAO-154(a)	23.5	lbs.	$263.65
Commercial Sales -			
Scrap mica	approx. 600	lbs.	9.60
Washer mica	" 200	lbs.	12.00
Total			$285.25
Royalty @ 5%			$ 14.26

Enclosure

EDTalbert/ama 8-27-62

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

OFFICIAL

REGISTERED MAIL
RETURN RECEIPT REQUESTED

Messrs. Roy Grindstaff, B. G. Thomas,
and W. J. Boone
Route 3
Bakersville, North Carolina

Re: DMMA-8740 (Mica)
Grindstaff, Thomas, and Boone
Comley Mine
Mitchell County, North Carolina
Contract Ida-8814

Gentlemen:

The remittance requested by my July 9 letter, a copy of which is enclosed, has not been received. Your prompt remittance, by check or money order payable to the Office of Minerals Exploration, is solicited.

Your immediate attention to this matter will alleviate the need for further action by the Government to collect the delinquent royalty involved. If legal recourse is necessary, additional costs to you may result.

Sincerely yours,

Director

Enclosure

AUG 14 1962

REGISTERED MAIL
RETURN RECEIPT REQUESTED

Messrs. Roy Grindstaff, B. G. Thomas,
and W. J. Boone
Route 3
Bakersville, North Carolina

Re: DMSA-3740 (Mica)
Grindstaff, Thomas, and Boone
Conley Mine
Mitchell County, North Carolina
Contract Id--8814

Gentlemen:

The remittance requested by my July 5 letter, a copy of which is enclosed, has not been received. Your prompt remittance, by check or money order payable to the Office of Minerals Exploration, is solicited.

Your immediate attention to this matter will alleviate the need for further action by the Government to collect the delinquent royalty involved. If legal recourse is necessary, additional costs to you may result.

Sincerely yours,

Director

Enclosure

EDTalbert/ama 8-14-62

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

OCT 5 1962

Messrs. Roy Grindstaff, B. G. Thomas,
and W. J. Boone
Route 3
Bakersville, North Carolina

Re: DMSA-3740 (Mica)
Grindstaff, Thomas, and Boone
Conley Mine
Mitchell County, North Carolina
Contract Idm-5814

Gentlemen:

Under terms of the referenced exploration project contract you agreed to pay, as principal if the producer or as surety if not the producer, a royalty to the Government on all minerals mined or produced from the land subject to the contract for a period of 10 years from the date of the contract or until the Government's contribution to exploration costs had been repaid. The contract is dated June 10, 1955, and the Government's contribution to exploration costs amounted to $3,366.00 of which $257.84 has been repaid to date.

Our files disclose that a purchase of 23.50 pounds of trimmed mica was made by the G.S.A. Mica Purchase Depot, Spruce Pine, North Carolina, for $265.65, reported as production from this property, on which the Government's 5 percent royalty amounting to $13.18 has not been received. This sale was made by Parsley & Grindstaff, c/o Roy Grindstaff, Route 3, Bakersville, North Carolina, covered by final settlement of the Depot as lot No. SPAO-154(a), approved January 27, 1960.

Please promptly remit the amount of $13.18, plus any additional royalty which may be payable to the Government on the value of scrap or punch mica recovered or on other sales of mineral production from the property subject to the contract. Your remittance should be made by check or money order payable to the Office of Minerals Exploration.

Sincerely yours,

CEFisher/ama 7-2-62

(signed) FRANK E. JOHNSON

ACTING Director

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

E814 6/10/55 DMBA-3740 Roy Grindstaff, et al

Mitchell County, N.C. Conley, John Conley Mine

Last reported Depot sale 9/7/56 AO4-251 $679.56 Roy Grindstaff EPS4-215A

Other known parties of possible interest:

D. G. Thomas Partner N. S. Buchanan

W. J. Boone do

John Conley owner

Thomas & Grindstaff EPS4-78A Last sale 7/11/56 Lot 52a

do 135B " " 5/25/56 Lot 176 a

Additional sale. SPAO-154 1/27/60 $263.65

1/6 A ✓

FORM APPROVED BY COMP. GEN. U.S. MARCH 25, 1957

GENERAL SERVICES ADMINISTRATION

PROG

FINAL SETTLEMENT - MICA PURCHASE

MICA PURCHASE DEPOT - Spruce Pine, N. C.

[X] A
[ ] B

DATE PURCHASED: 1-19-60

ACCEPTANCE NUMBER: A03-156(a)

CERTIFICATE AUTHORIZATION NUMBER	LOT NUMBER	VOUCHER NUMBER	SCHEDULE NUMBER
DLS-4-1921A	SPM0-156(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		$	$		$ 70.00	$
GRADES NO. 4 AND 5					40.00	
GRADES NO. 5½ AND 6					17.70	
STAINED						
GRADES NO. 3 AND LARGER		12.00			31.90	
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		$	$	.02	$ 70.00	$ 1.40
GRADES NO. 4 AND 5				.80	40.00	32.00
GRADES NO. 5½ AND 6				6.91	17.70	122.31
STAINED						
GRADES NO. 3 AND LARGER		9.60		.04	25.55	1.02
GRADES NO. 4 AND 5		4.00		1.79	14.60	26.13
GRADES NO. 5½ AND 6		2.40		9.53	6.55	62.42
HEAVY STAINED						
GRADES NO. 3 AND LARGER		6.40			11.85	
GRADES NO. 4 AND 5		3.20		.50	5.45	2.73
GRADES NO. 5½ AND 6		1.60		3.91	4.00	15.64
TOTALS			$			$

TOTAL YIELD AND VALUE [X] RUBY [ ] NONRUBY (Half trim plus full trim) 23.50 LBS. $263.65

ADJUSTED VALUE WHEN LESS THAN 18% GS & B (ABOVE VALUE $ _____ X _____ ÷ 18) $

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

FINAL BASIS FOR PAYMENT $263.65

LESS: INITIAL PAYMENT VOUCHER NUMBER SCHEDULE NUMBER 179.49

BALANCE DUE [X] SELLER [ ] GOVERNMENT $ 84.16

NAME AND LOCATION OF MINE

Conley, Mitchell County, N. C.
% GS & B 22.89

PROCESSED FOR PAYMENT (LBS.)	23.50
PROCESSED - NO PAYMENT (LBS.) THIN	.53 Unqualified
BLACK (Dots, Spots, Stained)	
UNDERSIZED	
PROCESSING LOSS	.09
TOTAL POUNDS PURCHASED	24.12

SELLER'S NAME AND ADDRESS (Type or print)

Parsley & Grindstaff
Route 3, % Roy Grindstaff
Bakersville, N. C.

APPROVED
DEPOT SUPERINTENDENT

DATE 1-27-60

GSA WASH D C 58-3177

GSA FORM 1013a SEPTEMBER 1957

OFFICIAL FILE COPY

Date	Surname	Code
		500
		120
		110
		100
		220

Idm-E814

June 27, 1962

Memorandum

To: E. D. Talbert, Acting Chief
Contract Administration and Audit Division

From: C. E. Fisher, OME Auditor

Subject: Audit Trip to Spruce Pine, North Carolina

I left Washington, D. C., via Southern Railway train No. 47 at 9:00 p.m., EST, June 17, 1962. Arrival in Asheville, N. C., was about 10:00 a.m., June 18. There I secured an automobile from Avis Rent-A-Car and drove to Spruce Pine, N. C. Left Spruce Pine at 10:00 a.m., June 23, and arrived back in Washington at 3:10 a.m., June 24, via Southern Railway train No. 16.

Most of the time in Spruce Pine was spent in reviewing the purchase records of the U.S.A. Mica Purchase Depot for the purpose of determining whether any unreported purchases had been made by that Depot of production from mines on which DMEA had entered into exploration project contracts. A total of 57 contracts were assigned for this investigation.

The last purchase by the Depot under the Mica Purchase Program was made on June 7, 1962. Mr. J. P. McKinney, Depot Superintendent, stated that processing the mica on hand and making final settlements with vendors will take another 60 to 90 days before the Depot is finally closed. Mr. McKinney also advised that 9,972 Participation Certificates were issued and 21,609 lots of mica were purchased during the program. At June 15 the yield of strategic mica amounted to 1,516,755.75 pounds. This will increase some when all processing is completed. As of June 1 the total payments to vendors amounted to $20,526,000. This amount will be increased when final settlements have been completed.

My review of the Depot records disclosed 13 contracts under which the Government may beentitled to royalty as hereinafter discussed. The investigation failed to disclose any purchases of production from the properties covered by the remaining 44 contracts. Memoranda for the files have been prepared for this latter group of contracts.

During the early stages of the exploration program, that is until 1957/8, two or more Government representatives were supervising exploration work in this mica region. They made frequent inspections of the various properties and were aware of what was happening. Mr. Beck made regular trips through the area and reminded the various parties of their royalty obligations. He checked the Depot records and often collected royalty. Several audit trips were made by representatives of this office, the last being my trip in February 1958. Mr. Beck continued his visits to the Depot and to the various operators through 1959 and subsequent investigations have been made by Messrs. Lynch and Lesure.

I believe that the reduction in royalty collections in the past 3 or 4 years may be accounted for by several circumstances:

First, a typical contract resulted in production during the exploration period and sometimes a little longer. Most of the mica exploration contracts were completed prior to 1958.

Second, nine of the mica exploration contracts had repaid their entire Government advance prior to 1958 and, of course, had no further royalty obligation. (For example, Sinkhole Miners, Idm-E364, DMEA-2379, operated right up to the day the Depot stopped buying.)

Third, there was a tendency on the part of the individual miners and some of the larger operators to work properties not subject to the Government lien for royalty. I noticed some instances where the name of the mine indicated that the production came from properties where DMEA had issued letters of no discovery. If the Government was not paying most of the mining expense in the form of contributions to exploration costs, why not work a property not subject to the Government's 5% royalty?

I visited the Spruce Pine Mica Company and met Mr. Lawrence Comley, who has been with that company and in the mica business for many years. He informed me that the only mica from the White Face Mine (Contract Idm-E662, DMEA-3255) his company had purchased were the two lots sold by John Carroll in 1954. Mr. Beck and I collected $13.34 royalty applicable to these sales from the property-owner, W. Howard Simpson, president of Non-Metallic Minerals Corp., on March 16, 1955. Mr. Comley expressed the opinion that no work had been done on the property since John Carroll was there.

The Spruce Pine Mica Company operates a fabricating plant. They primarily depend upon imported mica and this was especially true during the Government purchase program when everyone was

concentration of strategic mica. Their course got only the local material that was not eligible for purchase by the Depot. Mr. Conley stated that some of the local miners have been in to "talk" about the possibility of continuing mining and are "considering" the matter. He indicated that he expected some land-owner farmers would probably bring in punch from time to time as they felt the need for cash. Just another crop from the land.

B-K Associates (Contract Idm-E557, DMEA-3000) sold punch to the Spruce Pine Mica Company. Mr. Conley hopes they will continue operations as the Bryson Mine is a good source of supply and, further, he would like to see a North Carolina operation continued. He stated that B-K Associates own a couple of punch presses (presumably in Baltimore), but that so far as he knew they had not used them on Bryson Mine production.

Sam Phillips met with me for an hour or so on Friday afternoon at the Baker Motel. This was after the rest of my investigation had been completed and I was satisfied that there was not much to be gained by such a meeting. Our talk was very general and limited mainly to projects in which he had been interested. He called my attention to the fact that 6 projects in which he was interested had repaid the Government advance in full. I carefully refrained from mentioning that in at least 10 times as many projects, he, and his associates, had stopped mining almost as soon as the Government contributions ceased. He mentioned the McKinney Mine (Contract Idm-E692, DMEA-3260) but I did not see any profit in a discussion of that case.

Mr. Phillips told me that all feldspar operations in the area were large open-cut mechanical operations and that it is practically impossible for the small operator to sell feldspar. The big operators have their own adequate supplies and do not wish to be bothered. The price is so low that the little fellow cannot afford to mine and haul his supply. Of course, when most of the mining expense was an exploration cost, some of the feldspar was sold. For example, Contract Idm-E412, DMEA-2277, Burse John Mica Miners, was certified because of feldspar discovery. According to Mr. Phillips the property has not been operated since completion of the exploration project.

My review of the Depot records indicated possible unpaid royalty in connection with 13 contracts as follows:

Contract Idm-E311, DMEA-2377, Piedmont Minerals, Inc.

I secured for our files a copy of the final settlement statement for lot No. SPHR-149(a), approved May 14, 1958, covering purchase from

[illegible] A
[illegible] $19.73
[illegible] ment was
[illegible]
[illegible] under
[illegible] by is
[illegible] the the

[illegible] ment

[illegible] July 20,
[illegible] ville,
[illegible] me as
[illegible] contract
[illegible] the cor-
[illegible] by T. B.
[illegible] ville is
[illegible] le by
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[illegible]
[illegible] ville, N. C.,
[illegible] on about
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[illegible] -22[illegible]al,
[illegible], box 962,
[illegible] ettle-
[illegible] ot give
[illegible] tion at
[illegible] ch

[illegible], 1[illegible], and
[illegible] regating

[illegible] Cove Min-
[illegible], N. C. The
[illegible] Mine, Macon
[illegible] in agreement with the description of the
[illegible] was performed.

[illegible] Construction Co.

Final settlement [illegible] approved [illegible] 19, 1958,
covered [illegible] Box 265, Bakers-
ville, [illegible] are shown as Lee
Cornwell, [illegible] in agreement with the
description [illegible] exploration was performed.

[illegible] Taylor, [illegible] Greene & Johnnie
Greene

Final settlement [illegible], approved [illegible] 6, 1959, covered
payment [illegible] Lewis [illegible], Spruce Pine, N. C. The name
and [illegible] Cove [illegible], Avery County, N. C.,
which [illegible] mine in the
exploration [illegible]

Contract [illegible] Company

Check dated June 1[illegible], 195[illegible], from [illegible]-K Associates brought royalty
receipts under this contract up to $4,279.[illegible] or within $130.61 of
the total [illegible]

The report [illegible] additional [illegible] from [illegible]-K Associates
as follows:

Date	Lot No.	Amount	
[illegible]	[illegible]	[illegible],145.[illegible]	Final
6/15/[illegible]	" -[illegible]	1,2[illegible]4.59	"
[illegible]	" -[illegible]	[illegible],10[illegible].99	Preliminary
[illegible]	" -[illegible]	1,181.30	"
[illegible]	" -[illegible]	[illegible].32	"
[illegible]	[illegible]	[illegible]	"
[illegible]	[illegible]	[illegible]	"
[illegible]	" -5[illegible]	842.07	"
5/18/62	" -5[illegible]	917.21	"
[illegible]	" -59[illegible]	435.49	"
[illegible]	" -[illegible]	23[illegible].26	"
[illegible]	" -6[illegible]	279.04	"
[illegible]	[illegible]	222.24	"
[illegible]	" -1[illegible]	296.28	"

Contract Idm-2449, DMEA-2214, Hector Mining Company

Final settlement sheets for lots SPAO-10(a) and SPAO-14(a), approved September 7, 1960, covered payments aggregating $195.70 and $34[illegible], respectively, to Dan Allen, Route 2, Burnsville, N. C. The name and location of the mine are shown as Hector Mine, Yancey County, N. C., which is in agreement with the description of the mine in which exploration was performed.

Contract Idm-1734, DMEA-3452, Howard Boone & John Jarrett

Final settlement sheet for lot SPAR-359(a), approved December 8, 1959, covered payments aggregating $101.31 to Parsley & Grindstaff, c/o Roy Grindstaff, Route 3, Bakersville, N. C. The name and location of the mine are shown as Putman, Mitchell County, N. C., which is in agreement with the description of the mine in which exploration was performed.

The following is furnished for your use in the unlikely event you may find it necessary to secure additional information regarding purchases by the Spruce Pine Depot.

Mr. McKinney stated that he does not know what is to become of the Spruce Pine Depot records when the Depot is finally closed. He is recommending that the copies of settlement statements and supporting papers maintained at the Depot be destroyed as they are duplicates of original documents on which disbursements were made. The original documents are in the custody of:

General Services Administration, Region 3
Office of Regional Comptroller
Document Control and Collections Section
Room 6238, Regional Office Building
7th and D Streets, S. W.
Washington 25, D. C.

During the purchase program it was the practice to furnish copies of all settlement sheets to:

Mr. Avery H. Reed, Jr., Chief
Knoxville Field Office
Division of Mineral Industries
Bureau of Mines
404 Hamilton Bank Building
Knoxville 2, Tennessee

I understand that these copies were used by the Bureau of Mines to compile statistical data relating to production from the various mines. I do not have any information regarding the ultimate disposition made of these copies.

GWFisher/mma 6-27-62

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

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-E814, Docket DMEA-3740 (Mica), dated June 10, 1955, with

Roy Grindstaff, B. G. Thomas, and W. J. Boone
Route 3
Bakersville, 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 Conley Mine located in Mitchell County, North Carolina, during the period February 20, 1958, through June 15, 1960.

A certification of discovery or development was issued on April 13, 1956, and, in accordance with Article 8 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. An Audit Certificate dated February 1, 1956, indicated accepted costs under the exploration contract amounting to $4,488.00 with the Government's contribution on a 75 percent basis being $3,366.00.

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

This review established the total sales subject to the Government's royalty reported during the period to be $228.60. Royalty payable to the Government at the rate specified in the contract is $11.43.

A prior Report of Royalty Review found the known sales subject to the Government's royalty through February 19, 1958, to be $4,928.47, which added to the sales for this subsequent period make a total of $5,157.07. The royalty account as of February 19, 1958, was:

Total Royalty Payable	$246.41
Total Royalty Paid	246.41
Balance of Royalty Due	$ -0-

As of June 15, 1960, the royalty account of this project was found to be:

Total Royalty Payable	$257.84
Total Royalty Paid	257.84
Balance of Royalty Due	$ -0-

E. D. Talbert

February 5, 1962 E. D. Talbert, OME Auditor

Idm-8814 Grindstaff, Thomas, & Boone DMBA-3740

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

This contract provides that the Operators, as principal if the producer and as surety if not the producer, shall pay the Government's percentage royalty on all mineral production from the land thereunder. The Operators were in possession of the property at the time the contract was entered into by virtue of a March 18, 1955, lease from John Conley, Route 3, Bakersville, North Carolina. The landowner executed a Consent to Lien on May 11, 1955.

The prior Report of Royalty Review dated March 18, 1958, was limited to a check of reported sales with the records of the G.S.A. Mica Purchase Depot, Spruce Pine, North Carolina. Subsequently, a sale of "mine-run" block mica to another producer (C. R. Phillips) was reported and royalty thereon paid. A corrected summary of sales follows:

Sheet Mica	104.93 lbs.	$1,479.71
Hand-cobbed Mica	10,365.00 lbs.	3,448.76
"Mine-run" Block Mica	762.00 lbs.	228.60
Total Sale	11,231.93 lbs.	$5,157.07
Royalty @ 5%		$ 257.84

The mine was shut down and all equipment removed during 1956. An examination of the property on October 22, 1957, found the property inactive. Subsequent Region IV listings of inactive North Carolina mica projects include this project. The last such listing in the files shows this project as one of a number "checked at the Government Purchasing Depot, Spruce Pine, N. C., or by contacting the Operators or by inquiring in and around the vicinity" during the period of June 13 through 15, 1960.

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

(1) The files indicate that the property was inactive during the period covered by this review;
(2) All sales, excepting possible scrap and punch, have been reported and proper royalty thereon paid; 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.

800

FEB 7 - 1962

Memorandum

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

From: Chief, Division of Field Operations, OME

Subject: DMEA-3740 (Mica)
Grindstaff, Thomas, and Boone
Conley Mine
Mitchell County, North Carolina
Contract Idm-E814

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

George C. Selfridge

Enclosure

GCSelfridge/hb
(2/7/62)

cc: Docket DMEA-3740
Director's Reading File
CA&A Division
GCSelfridge
R.A.Laurence, Region IV, w/cy of Report of Royalty Review dtd 2/5/62 & orig. cy of memo dtd 2/5/62 by Chief, Div. of CA&A to Chief, Div. of Field Operations.
V.J.Lynch, Reg. IV, w/cy of ex. item sent to Mr. Laurence

FEB 5 - 1962

Memorandum

To: Chief, Division of Field Operations

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

Subject: OMEA-3740 (Mica)
Grindstaff, Thomas, and Boone
Conley Mine
Mitchell County, North Carolina
Contract Idm-E814

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 2-5-62

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

E-814

For Certificate of Deposit No. 58, dated March 11, 1959, giving royalty payment of $11.43, see E-687.

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, pertaining to Contract Idm-E814, Docket No. DMEA-3740 (Mica), dated June 10, 1955, with

Roy Grindstaff, B. C. Thomas, and W. J. Boone, partners
Route 3
Bakersville, North Carolina

for the purpose of determining the amount of royalty due the U. S. Government on sales of mica from property referred to as John Conley Mine, located in Mitchell County, North Carolina, during the period June 10, 1955, to February 19, 1958.

A certificate of discovery or development was issued on April 13, 1956, and, in accordance with the contract, royalty is payable on the net proceeds realized from production as a result of such discovery or development 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. An audit report and certificate dated February 1, 1956, indicated accepted costs under the exploration contract amounting to $4,488.00 with the Government's contribution, on a 75 percent basis, being $3,366.00. The scope of this royalty review and the reasons therefor are stated on Schedule "A" attached.

My review established the total sales of mica to be $4,928.47. Royalty due the Government at the 5 percent rate specified in the contract is $246.41. The royalty paid and balance due are as follows:

Total Royalty Due	$246.41
Total Royalty Paid	246.41
Balance of Royalty Due	$ - 0 -

C. E. Fisher, Auditor

March 18, 1958

Schedule "A"

Contract Idm-8814, Docket No. DMEA-3740 (Mica)
Report of Royalty Review

This review was limited to the listing of sales of sheet and hand-cobbed mica to the Mica Purchase Depot, Spruce Pine, North Carolina, shown by the records of the DMEA Region V office pertaining to production from John Conley Mine on which royalty was received by the regional office. This list, which is filed with my audit work papers, was checked with the purchase records of the Depot. A summary of the indicated production, sales, and royalty paid to the Government follows:

Item	Production (Pounds)	Sales
Sheet mica	104.93	$1,479.71
Hand-cobbed mica	10,365.00	3,448.76
Totals	10,469.93	$4,928.47
Royalty due @ 5%		$ 246.41

It is recommended that the regional office ascertain the quantities and value of any scrap or punch mica recovered and sold in connection with this project together with the amount of royalty due to the Government on such sales.

The mine has not been operated since 1956.

An on-site royalty audit was not made at this time because the administrative costs to the Government would be excessive in relation to the amount of possible additional royalty which might be disclosed.

Check Sheet of Examining Engineer

Operator's Name Roy Grindstaff, B. G. Thomas & W. J. Boone

Address R#3, Bakersville, N. C.

John Conley Mine, Mitchell County, N.C.

Exploration Contract No. Idm-E814 Docket No. DMEA-3740

	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?		
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.

Mine not in operation.

Wm. A. Beck, Mining Engineer

Date 2-19-58

82448

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

Re: Docket No. DMEA-3740 (Mica)
Gridstaff, Thomas, and Poore
John Conley Mine
Mitchell County, North Carolina
Contract No. Idm-F814

Dear Mr. Laurence:

I am enclosing the original and two copies of Mr. Fisher's report of royalty review dated March 18, 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.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

Enclosures

CEFisher/ama
March 19, 1958

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

For Certificate of Deposit No. 90, dated April 10, 1957, giving royalty payment of $33.98, see E-392.

For Certificate of Deposit No. 27, dated September 5, 1956, giving royalty payment of $10.45, see E-626.

For Certificate of Deposit No. 15, dated August 6, 1956, giving royalty repayment of $29.55, see E-161.

E-814

For Certificate of Deposit No. 113, dated June 19, 1956, giving royalty repayment of $48.57, see E-98.

For Certificate of Deposit No. 100, dated May 1, 1956, giving royalty repayment of $73.33, see E-57.

E-814

For Certificate of Deposit No. 78, dated February 20, 1956, giving royalty repayment of $20.53, see E-516.

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. 14-83-070-40

For credit of 428 Dr. Troy F[illegible]ional Office, Oak Ridge, Tenne[illegible]e 11/14/55
(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)

$ 30.00

for accounts listed below. SCHEDULE NOS.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
U4X4401	Idm-E-814 Thomas & Grindstaff (Royalty)	$ 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, Adm. Asst.
P. O. Box 217
Morris, 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.

[illegible] (Authorized signature)

NOV 14 1955
(Date of credit in Treasurer's account)

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

16—50686b-1 GPO

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

AUDIT CERTIFICATE

I have examined the records and transactions of

Roy Grindstaff, B. G. Thomas, and W. J. Boone, partners
Route 3
Bakersville, North Carolina

pertaining to Exploration Project Contract No. Idn-E814, Docket No. DMEA-3740, dated June 10, 1955, including Amendment No. I, covering a project for the exploration of mica on property known as the Conley Mine located in Mitchell County, North Carolina, for the period July 5 to December 13, 1955, inclusive.

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

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

Total cost as billed by contractor		$5,114.50
Exceptions (see audit report for details):		
Prior to this audit	$ -0-	
During this audit	626.50	626.50
Total Accepted Cost		$4,488.00

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 Three thousand three hundred sixty-six and no/100 Dollars,

$3,366.00

is valid and proper.

This certificate is issued on the provision that the Regional Executive Officer, the Administrator, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

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

February 1, 1956

AUDIT REPORT

I. INTRODUCTION

On January 26 and 27, 1956, a final audit (covering operations for the period July 5 to December 13, 1955) was made of the records and transactions pertaining to Exploration Project Contract No. Idm-E314, Docket No. DMEA-3740, dated June 10, 1955, including Amendment No. 1 with

Roy Grindstaff, B. G. Thomas, and W. J. Bouse, partners
Route 3
Bakersville, North Carolina

covering a project for the exploration of mica on property known as the Conley Mine located in Mitchell County, North Carolina.

The original records under this contract were maintained by and were in the custody of Mrs. Mary P. Banner at her home. She brought the records to the office of Mr. Samuel L. Phillips, Spruce Pine, North Carolina, for the inspection of the auditor. Mr. B. G. Thomas, one of the parties to the contract was present during parts of the audit work. Mr. William A. Beck, Mining Engineer, DMEA Field Team, Region V, Knoxville, Tennessee, accompanied the auditor and assisted in the audit. The cooperation of all concerned greatly facilitated the audit work.

II. GENERAL INFORMATION ON RECORDS

The accounting records of the partnership consist of a cash receipts and disbursements register, cancelled checks, timebooks, Federal income and withholding tax returns, liability insurance policies, and copies of paid invoices. These records were made freely available for any necessary inspection by this auditor and were found to be well kept and they are considered to be thoroughly reliable.

This partnership also operated the George Howell Mine (which is not subject to any DMEA contract) during the period of the exploration at the Conley Mine. The cash receipts and disbursements register listed all receipts and disbursements applicable to both properties in order of the date of such receipt or disbursement. No difficulty was experienced in allocating costs between the two mines because all operations were conducted separately; the basic documents were plainly marked with the name of the mine to which applicable; and transactions relating to the Conley Mine were marked as such in the cash receipts and disbursements register.

The Operator's Monthly Report and Voucher Forms MF-104 were prepared by Mrs. Banner and were signed by Mr. B. G. Thomas. The original MF-104's were found to be adequately supported by copies of paid invoices and payroll summaries, with exception of the costs pertaining to category (6) New Buildings, Improvements, etc.

III. SCOPE OF AUDIT AND FINDINGS

The audit was limited to ascertaining the accuracy, propriety and validity of the costs shown in the "Totals to Date" column of the Form MF-104, Operator's Monthly Report and Voucher, for the months of November and December, 1955.

The audit disclosed a considerable amount of improper distribution of charges to the "Items of Cost" shown on the Form MF-104. Therefore, the audit findings presented below are those resulting after correction of the cost distribution.

(1) Independent Contracts

This category of cost is not applicable to this contract.

(2) Labor and Supervision

The basic record for labor costs consisted of time books maintained by the working foreman at the mines. The time books indicated the names of the employees and the time worked at each mine. Wages were paid on a biweekly basis, Mrs. Banner transcribing the information from the time books to the cash receipts and disbursements register and issuing checks for the wages due.

Verification of all wages paid, applicable to the Conley Mine, was made during the audit.

This contract does not provide for any costs of supervision or technical services but does specify maximum hourly rates of pay for labor as follows:

Miners	$1.50 per hour
Hoistmen	1.25 " "
Laborers	1.00 " "

Labor costs, determined by audit to be allowable, are shown in the following summary:

		Claimed		Allowed	
Class	Hourly Rate	Hours	Amount	Hours	Amount
Miners	$1.50	-0-	$ -0-	-0-	$ -0-
Hoistmen	1.25	303	371.13	303	378.75
Laborers	1.00	2,118	2,075.64	2,020	2,020.00
Reporting error			2.00		-0-
Totals		2,421	$2,448.77	2,323	$2,398.75

The following audit adjustments were made in arriving at the allowed costs shown above:

(a) A transfer of $2.00 to (7) Payroll Taxes to adjust difference in amounts brought forward on September 1955, MF-104, under categories (2) and (7);

(b) A transfer of $98.00 to (6) New Buildings, Improvements, etc. for 98 hours of labor constructing toolhouse, powder magazine and exploder magazine;

(c) An additional allowance of $49.93 for amount of old age benefit taxes erroneously deducted from amount claimed for wages of employees; and

(d) An additional allowance of $.05 to adjust error in reporting wages of Morgan Buchanan, Hoistman, during October 1955.

(3) Operating Materials and Supplies

The costs chargeable to this category were determined by a detailed audit of paid vendors' invoices and are summarized as follows:

Item	Claimed	Allowed
Explosives	$1,056.29	$1,017.84
Steel and supplies	883.94	-0-
Drill steel	-0-	426.25
Gasoline and oil	-0-	270.39
Other	-0-	162.30
Totals	$1,940.23	$1,876.78

In determining the allowed costs shown above, amounts aggregating $63.45 paid to Mitchell Distributing Company for repair parts for a jackleg rented from Mr. B. G. Thomas have been disallowed.

The details of the several items of costs allowed by this audit are presented below:

Explosives-Allowed cost $1,017.84

3,050 pounds 40% DuPont Special Gelatin 1-1/8x8	$ 702.08
1,100 Caps - Various	259.96
1 DuPont #30 Blasting Machine	43.50
9 Spools Connecting Wire	11.25
300 Tamping Bags	1.05
Total	$1,017.84

Drill steel-Allowed cost $426.25

The allowed cost under this item represents amounts paid for 28 pieces of various sizes of drill steel and carbide bits.

Gasoline and oil-Allowed cost $270.39

Represents cost of gasoline, motor oil and prestone used in operation of compressor, hoist and pump.

Other-Allowed cost $162.30

200' 2" Plastic hose	$ 50.00
Waterproof clothing	28.64
Hand tools	26.86
Line oiler, 1 pint capacity	21.20
Boom pole iron	12.24
Clamps, pipe, carbide lamp, etc.	23.36
Total	$162.30

By letter dated February 6, 1956, the Executive Officer, DMEA Field Team, Region V, waived the Government's interest in any small tools and supplies remaining unexpended at the conclusion of the project.

(4) Operating Equipment

(a) Rental

The accepted costs under this subcategory are as follows:

Item	Period	Rate	Amount
1 Jackleg	2 months	$10.00/mo.	$ 20.00
1 Pump	3-3/4 "	50.00/mo.	187.50
Total			$207.50

The above equipment was rented from Mr. B. G. Thomas. The number of each object rented, the monthly rental rates, and the total of the item are all within the maximums provided by the contract. The actual exploration work extended over a period of slightly more than 5 months (July 5 to December 13, 1955).

While there may be some doubt as to the propriety of allowing as exploration costs the charges for rental of equipment owned by one of the partners under the contract, the charges are considered to be direct, reasonable and necessary costs in this instance for the following reasons:

1. The amounts were actually paid from partnership funds; and

2. The costs are in line with a reasonable "depreciation allowance" for use of owned equipment of like character which would be allowable in connection with an exploration project requiring more than 5 months for completion.

(b) Purchase

This subcategory of cost is not applicable to this contract.

(c) Depreciation

The claimed and accepted costs under this subcategory, amounting to $225.00 and representing 3-3/4 months depreciation at $60.00 per month, conform to maximums set forth in the contract.

(5) Initial Rehabilitation and Repairs

This category of cost is not applicable to this contract.

(6) New Buildings, Improvements, etc.

Under the provisions of the contract the estimated amount of $113.00 for the construction of a toolhouse, powder magazine, and exploder magazine is the maximum allowable cost to which the Government may contribute. Both the Operator and the Field Team misinterpreted this provision of the contract as calling for Government participation on basis of a fixed unit cost for the three buildings. Consequently, the Operator claimed $113.00 under this category without substantiating the charge by documentation.

The audit determined that no charges were included in costs under category (3) Operating Materials and Supplies in which the Government participated for value of lumber and other materials used in such construction. The auditor and Mr. B. G. Thomas agreed that such material used had a value of approximately $64.15. This valuation was also agreed to by Mr. Beck as being reasonable. In addition, it was determined that 98 hours of labor at $1.00 per hour amounting to $98.00 had been included in costs claimed under category (2) Labor and Supervision, on which old age benefit and liability insurance premium amounting to $1.96 and $8.82, respectively, had been claimed under (7) Miscellaneous. Thus the actual costs of such construction were estimated to amount to $172.93 which was in excess of the allowable maximum under the contract.

The following audit adjustments were therefore made to arrive at acceptable costs for this item:

(a) Disallowance was made of the $113.00 claimed without substantiation of the expenditures on Form MF-104 for July and August, 1955;

(b) Transfers of labor charges, old age benefit taxes, and liability insurance premiums aggregating $108.78 were made to this category from categories (2) and (7);

(c) An allowance was made in the amount of $64.15 for value of lumber and other material used in the construction but not previously claimed on Form MF-104; and

(d) Disallowance was made in the amount of $59.93 being the amount of the excess of estimated actual cost ($172.93) over allowable maximum ($113.00).

By letter dated February 7, 1956, the Executive Officer, DMEA Field Team, Region V waived the Government's interest in all property acquired under the contract.

(7) Miscellaneous

Payroll Taxes

The only costs incurred by the Operator under this item were for Federal old age benefit taxes based on 2 percent of gross payrolls. The claimed and accepted costs amounted to $47.93 and $47.97, respectively. Audit adjustments were made as follows:

(a) A transfer of $2.00 from (2) Labor and Supervision to adjust difference in amount brought forward on September 1955, MF-104; and

(b) A transfer of $1.96 to (6) New Buildings, Improvements, etc., representing 2 percent of $98.00 labor costs distributed to that category.

Liability Insurance

The Operator carried liability insurance with Hartford Accident and Indemnity Company, the premiums being at the rate of $9.00 per $100.00 of wages paid to the covered employees.

The claimed and accepted costs under this item amounted to $132.07 and $215.89, respectively. Audit adjustments were made as follows:

(a) A transfer of $8.82 was made to (6) New Buildings, Improvements, etc., representing liability insurance premiums, based on rate of $9.00 per $100.00 of payroll, applicable to $98.00 labor included in that category; and

(b) An additional allowance of $92.64 was made for liability insurance premiums incurred, but not claimed on Forms MF-104 submitted by the Operator.

Other Observations

No inventory was taken of unexpended materials and supplies on hand at the conclusion of the exploration project. It is believed that the failure to take such inventory and adjust project costs for value of any unexpended material and supplies which might have been disclosed by such inventory has not resulted in overstatement of costs to which the Government will contribute in this instance. A comparison of the various items of cost provided by Exhibit "A" of the contract with accepted costs determined by the audit, as set forth below, indicates that the expenditures in excess of those contemplated by the contract relate principally to category (3) Operating Materials and Supplies:

	Estimated Costs per Exhibit "A" of contract	Accepted Costs as determined by audit	Excess Costs
(2) Personal Services	$2,570.00	$2,398.75	$(171.25)
(3) Operating Matl's. & Supp.	1,192.50	1,876.78	684.28
(4) Operating Equipment			
Rental	207.50*	207.50	-0-
Depreciation	225.00*	225.00	-0-
(6) New Buildings, etc.	113.00*	113.00	-0-
(7) Miscellaneous	180.00	263.86	83.86
Totals	$4,488.00*	$5,084.89	$ 596.89
Excess costs disallowed by audit		596.89	
Net accepted costs		$4,488.00	

*Allowable maximums

The disallowance of $596.89 is considered to be far in excess of any valuation which might be placed on any material and supplies which may have been unexpended at the end of the exploration work.

IV. CONCLUSIONS

The audit disclosed that all costs charged to this project, with the exception of net disallowances aggregating $29.61 as itemized in the preceding section of this report, were reasonable and proper under the terms of the contract. However, the total allowable cost provided by the contract amounts to $4,488.00, whereas the total, as determined by audit, amounts to $5,084.89, or an excess of $596.89, which amount was also disallowed making total disallowances amounting to $626.50.

The adjustments between "Items of Cost" as shown on the November and December, 1955, Form MF-104, the additional allowances and disallowances, and the accepted costs as disclosed by this audit are summarized below:

	Totals Nov. & Dec. MV-104	Corrected Distribution	Allowances and (Disallowances) by Audit	Accepted Costs
(2) Labor & Supervision				
(e) Labor	$2,448.77	$2,348.77	$ 49.98	$2,398.75
(3) Oper. Mat. & Supp.				
Explosives	1,056.29	1,017.84		1,017.84
Steel & Supplies	883.94			
Drill Steel		426.25		426.25
Gasoline & Oil		270.39		270.39
Other Supplies		225.75	(63.45)	162.30
(4) Operating Equipment				
(a) Rental	207.50	207.50		207.50
(e) Depreciation	225.00	225.00		225.00
(6) New Bldgs., Improv., etc.	113.00	221.78	64.15	113.00
			(113.00)	
			(59.93)	
(7) Miscellaneous				
Payroll Taxes	47.93	47.97		47.97
Liability Insurance	132.07	123.25	92.64	215.89
Totals	$5,114.50	$5,114.50	$(29.61)	$5,084.89
Excess over contract	———	———	(596.89)	(596.89)
Adjusted Totals	$5,114.50	$5,114.50	$(626.50)	$4,488.00

This contract contained numerous items, the estimated costs of which were indicated as being maximums for contribution by the Government. The hourly wage rates for labor provided by subcategory (2) (e); the number of each object of rented equipment, the rate of rental, and the total of subcategory (4) (a); and the time periods, rate of depreciation, and the total of subcategory (4) (e), claimed by the Operator were all within such allowable maximums. In addition, audit adjustments have been made in this report to bring the accepted costs for toolhouse, powder magazine, and exploder magazine within the allowable maximum provided by category (6).

At the conclusion of the audit the findings were discussed with Mrs. Ranner and Mr. Thomas. On January 30, 1956, the findings were discussed with Mr. R. A. Lawrence, Executive Officer, DMEA Field Team, Region V.

C. E. Fisher

C. E. Fisher, Auditor

February 1, 1956

C
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P
Y

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

February 27, 1956

Memorandum

To: Mr. Jay L. Chambers, Chief
Contract Administration and Audit Division

From: C. E. Fisher, Auditor

Subject: Analysis of costs under contracts for exploration for mica.

Cost audits have been made and audit reports issued pertaining to the following "actual cost" contracts covering exploration for mica in the State of North Carolina:

Idm	DMEA	Operator	Mine	Type of Audit
E805	3720	White, White and Harris	Coward	Interim
E814	3740	Grindstaff, Thomas and Boone	Conley	Final
E815	3731	Huskins and Gage	Randolph	Final

From the information developed during these audits, determination has been made of average unit costs per foot of shaft work accomplished and per foot of advance by drifting and/or crosscutting. Also hours of labor per foot of such work accomplished and average labor costs per hour, including OAB taxes and employer's liability insurance, have been determined for each contract as shown in the following tabulation:

	Shafts			Drifts	
	E805	E814	E815	E814	E815
Average Costs per foot					
Labor	$76.77	$20.82	$15.36	$16.97	$13.12
OAE taxes	1.04	.42	.18	.34	.16
Liability insurance	-0-	1.87	-0-	1.53	-0-
Total labor costs	$77.81	$23.11	$15.54	$18.84	$13.28
Material & Supplies:					
Timber	$ -0-	$ -0-	$ 2.67	$ -0-	$ -0-
Explosives	7.55	6.32	5.40	8.77	4.65
Drill steel	6.27	4.82	2.69	2.32	.19
Gasoline and oil	6.53	1.78	1.97	2.27	1.75
Other supplies	5.94	2.29	.97	.60	1.56
Total Mat. & Sup.	$26.29	$15.21	$13.70	$13.96	$ 8.15

	Shafts			Drifts	
	E805	E814	E815	E814	E815
Operating Equipment:					
Rental	$28.44	$ 2.40	$ 9.67	$ 1.09	$ 7.25
Depreciation	-0-	2.40	-0-	1.31	-0-
Total Oper. Equip.	$28.44	$ 4.80	$ 9.67	$ 2.40	$ 7.25
Totals	$132.54	$43.12	$38.91	$35.20	$28.68
Man/hours per foot of advance	62.67	20.82	12.76	16.03	10.50
Average costs per man/hour					
Labor	$ 1.24	$ 1.11	$ 1.22	$ 1.18	$ 1.26
Mat. & Sup.	.42	.73	1.07	.87	.78
Equipment	.45	.23	.76	.15	.69
Total	$ 2.11	$ 2.07	$ 3.05	$ 2.20	$ 2.73

Total accepted costs disclosed by the interim audit of contract Idm-E805 amounted to $4,407.51 with the Government's proportion on a 75 percent basis being $3,305.63. These amounts were within $532.49 and $399.37, respectively, of total costs and Government participation contemplated by the contract. The remaining work under the contract terms amounted to 8 feet of winze sinking and 80 feet of drifting. The remaining funds are obviously inadequate to complete the contract. The unit costs developed under this contract are so far out of line as to be of little or no value in any analysis to determine what may be fair and reasonable unit costs of shaft sinking and drifting in connection with mica exploration projects in North Carolina.

Contracts E814 and E815 have been completed and the costs appear to be somewhat in line with what may be considered fair and reasonable. It is noted that there are substantial differences between the over-all unit costs under these contracts and that some of the differences are more striking when the various elements entering into the over-all costs are compared. It is possible that these differences may be explained to a large extent by such factors as operating conditions, such as type of ground, or by the efficiency and skill of the operators. These matters are not deemed to be proper for discussion by the auditor and this report will deal with a consideration of the various elements included in costs from an auditing standpoint.

The total accepted costs under E814 were approximately 12.5 percent <u>in excess</u> of the amount provided by the contract and such excess has been disallowed in computing the Government's contribution to the cost. In contrast, the total accepted costs under E815 were approximately 15.5 percent <u>less</u> than the amount allowed as the estimated total cost of the project.

Discussion of the various elements included in the unit costs follows:

Labor

Both contracts provided for maximum wages as follows:

Miners	$1.50
Hoistmen	1.25
Laborers	1.00

The Operator under E814 paid its employees at the rate of $1.00 per hour, except when a hoistman was used in connection with the drifting operations, he was paid $1.25 per hour; whereas, the Operator under E815 paid its employees the maximum rates provided by the contract.

OAB taxes

These amount to 2 percent of wages paid. One of the partners under E815 worked on that project and the OAB tax was not applied as a cost of the project in connection with his wages.

Liability insurance

Both contracts provided that employer's liability insurance premiums would be an allowable cost of the project. Such insurance was not carried in connection with E815, but amounted to 9 percent of the wages paid under E814.

Total labor costs
Hours per foot of advance
Average labor costs per hour

The total labor costs per foot of shaft sinking or drifting was approximately 50 percent higher under E814 than under E815, although the average per hour cost under the latter contract was slightly higher than under E814. The principal differences in the unit costs are explained by the very substantial variations in the hours of labor required for each foot of advance under the two contracts. This is not a matter for accounting interpretation but interposes a question to be answered by the inspecting engineer who may be in possession of information indicating reasons for such discrepancies.

Timber

There were no costs for timber claimed in connection with E814 although the contract provides, "The inclined shaft, and the drifts and/or crosscuts shall be timbered as necessary." The reason for omission of charge for timber was not ascertained during the audit.

All lumber purchased under E815 was procured during the shaft sinking operations and was charged to that operation. It is possible that some portion of the timber cost under this contract was applicable to the drifting costs.

Explosives
Drill steel

The unit costs under E814 are substantially in excess of those under E815 for these items. It was noted that both operators purchased these supplies at about the same time and at similar prices. Thus the differences are due primarily to differences in quantities used for each foot of advance. The explanation of the difference in cost experience would appear to relate to such factors as type of rock in the two projects or the relative efficiency of the operators.

Gasoline and oil
Other supplies

No comments.

Operating equipment

Both contracts provided allowable maximum charges for use of operating equipment and the maximum allowable amount was claimed in each instance. The amount under E814 was $432.50 for sinking 50 feet of 2 - compartment inclined shaft and 80 feet of drifts and/or crosscuts. The allowance under E815 was $1.160.00 for sinking a 60 foot 2 - compartment shaft and 80 feet of drifts. Thus the allowance under E815 was $727.50 greater than the allowance under E814 whereas the additional work consisted only of 10 feet of 2 - compartment shaft. As a result, the claimed and accepted unit costs under E815 were more than twice those under E814.

Similar equipment was used in both projects. The difference in the allowed costs was due primarily to the contract provisions which made substantially higher allowances for use of equipment rented from other parties over the depreciation allowance for similar equipment owned by the Operator. All of the equipment used in connection with E815 was rented by the Operator, whereas, the Operator under E814 received a depreciation allowance for a compressor, drill and hoist owned by the Operator and rental allowance only in connection with a jackleg and pump.

It would seem that, in computing a fair unit cost, any allowance for use of equipment should be based on the type of equipment used and the period during which it is needed rather than upon who may happen to be the owner of the equipment. This is especially true with respect to these mica exploration projects where the items of required equipment are very well established and where the equipment is apt to be rented from a partner in the project or from a near relative.

In the case of E815 the equipment rental accounted for approximately 25 percent of the accepted costs, whereas, under E814 the charge for use of equipment was slightly less than 10 percent of the costs. Mr. Sam Phillips and Mr. John Phillips were partners with the Operators under E815. This partnership was known as Randolph Mining Company whose sole activity was the exploration under this contract. The equipment used in the exploration was rented from Cecil Phillips.

The jackleg and pump rented and used in E814 were owned by Mr. B. G. Thomas, one of the partners under that contract.

/s/ C. E. Fisher
C. E. Fisher, Auditor

CEFisher/wb
February 27, 1956

C
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P
Y

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

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

PAID ON VOUCHER & SCHEDULE OF PAYMENTS K-

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of Nov. & Dec. 1955 Docket No. DMEA 3740 Contract No. Idm-E814

Operator's Name Roy Grindstaff, B. G. Thomas & W. J. Boone Minerals Mica

Address Route 3, Bakersville, N.C.

RECEIVED MAR 14 1956

Contract Amount, $ 4488.00 Government Participation: 75 % Amount, $ 3366.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:	~~* Approved accepted cost in accordance with audit certificate dated 2/1/56 - however, this amount is $596.89 in excess of contract - payment to contractor $956.37, which is 75% of~~					
Drilling	~~$1275.16 ($1872.05 less $596.89)~~					
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	1056.44	1392.33	2448.77	1066.42	1392.33	2398.75
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives	432.56	623.73	1056.29	394.11	623.73	1017.84
Pipe						
Track						
Steel & Supplies	306.21	577.73	883.94	281.21	577.73	858.94
(4) Operating Equipment:						
Rental	37.50	170.00	207.50	37.50	170.00	207.50
Purchase						
Depreciation	45.00	180.00	225.00	45.00	180.00	225.00
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		113.00	113.00		113.00	113.00
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance	2.39	129.68	132.07	86.21	129.68	215.89
Social Security	21.56	26.37	47.93	21.60	26.37	47.97
(8) Contingencies (specify):						
TOTALS	1901.66	3212.84	5114.50	1872.05*	3212.84	5084.89*

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

Date 12-22-55 *Payee B. G. Thomas

Per _____ Title Partner

*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:

$ 956.37

Signature Helen R. Miller
(Authorized Certifying Officer)

MAR 12 1956

Date _____ Vou. No. _____
(See other side)

C 12/13

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E 814 in accordance with the terms of the contract.

Signature Sheldon C. Bergman Title Geologist USGS Date 3/9/56

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature W. J. Lynch ACTING Title EXECUTIVE OFFICER DMEA REGION V Date MAR 9 1956

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED
MAR 14 1956

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Nov.&Dec. 195 Docket No. DMEA 3740 Contract No. Idm-E814
Operator's Name Roy Grindstaff, B. G. Thomas & W. J. Boone Minerals Mica
Address Route 3, Bakersville, N.C.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT	
							Units	Unit Costs
Drifting	Ft.	1901.66	50	2787.55	80	34.84		
Crosscutting								
Raising								
Shafts				2213.95	50	44.11		
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		1901.66		5001.50				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				113.00				
TOTAL COSTS		1901.66		5114.50				

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 12-22-55 Operator B. G. Thomas, et. al.

Per Title Partner

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: Totals revised on MF-104 to agree with final audit
SCB

(Instructions on reverse)

(For Government use only)

V. J. Lynch
Bureau of Mines
1/30/56

INSTRUCTIONS

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

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

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

GPO 872894

RECEIVED
MAR 14 1956

OPERATOR'S

Monthly Progress Report

November and December, 1955

DMEA-3740
Work Ended: 12-13-55
Idm-E 814

Work Accomplished:

We completed 50 feet of drift during November and the first part of December, encountering no particular difficulty. The drift was in vein all the way, with the vein narrowing slightly toward the end. Some small mica was recovered, and in the whole operation, a total of about 2,000# of small mica was recovered. Work was finished on December 13, 1955.

Daily Notes:

November 1 - 10: Pumped water, drilled, shot and mucked. Vein continued to narrow slightly, but looked much the same.

November 14-18: Pumped water. Repeated drilling and shooting. Mucked out waste, and recovered some small mica.

November 21-30: Work in drift continued in same direction, still in vein varying very little. Some mica recovered in regular operations as listed above.

December 1-2: Pumped water, mucked. Worked on equipment. Extremely cold weather slowed progress.

December 5-13: Repeated routine operations. Continued to recover some mica, but the vein had narrowed noticeably. By Dec. 13 the contract work had been completed.

About 2000# small mica recovered in all.

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

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

PAID ON VOUCHER & SCHEDULE OF PAYMENTS K- 56

RECEIVED NOV 21 1955

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of October, 1955 Docket No. DMEA 3740 Contract No. Idm-E 814

Operator's Name Roy Grindstaff, B. G. Thomas & W. J. Boone Minerals Mica

Address Route 3, Bakersville, N. C.

Contract Amount, $ 4488.00 Government Participation: 75% Amount, $ 3366.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	493.63	898.70	1392.33			
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives	303.77	319.96	623.73			
Pipe						
Track						
Steel & Supplies	137.13	440.60	577.73			
(4) Operating Equipment:						
Rental	60.00	120.00	180.00	50.00		
Purchase						
Depreciation	60.00	120.00	180.00			
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		113.00	113.00			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance	45.33	84.35	129.68			
Social Security Tax	10.07	16.30	26.37			
(8) Contingencies (specify):						
				1099.93		1
TOTALS	1109.93	2112.91	3222.84	~~1109.93~~	2112.91	~~3222.84~~

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

Date 11-9-55 *Payee B. G. Thomas

Per B G Thomas Title Partner

*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:

$ ~~832.45~~ 824.95

Signature Helen R. Miller
(Authorized Certifying Officer)

Date NOV 17 1955 Vou. No. 113
(See other side)

277.48

(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. E814 in accordance with the terms of the contract.

Signature N. J. Lynch Title Mining Eng. Date 11/14/55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature Robert A. Lawrence Title DMEA REGION V EXECUTIVE OFFICER Date NOV 14 1955

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 872893

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED NOV 21 1955

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of October 195 5 Docket No. DMEA 3740 Contract No. Idm-E 814

Operator's Name Roy Grindstaff, B. G. Thomas and W. J. Boone Minerals Mica

Address Route 3, Bakersville, N. C.

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
30' @ Drifting	Ft.	895.89	30	895.89	30	29.86		
Crosscutting								
5' Raising								
Shafts	Ft.	214.04	5	2213.95	50	44.11		
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Total Distributed Costs		1109.93		3109.84				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				113.00				
Total Costs		1109.93		3222.84				

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 11-9-55 Operator Roy Grindstaff, B. G. Thomas and W. J. Boone

Per B. G. Thomas Title Partner

Remarks:

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

(Instructions on reverse)

(For Government use only)

W. J. Lynch
Mining Eng.
Bureau of Mines

INSTRUCTIONS

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

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

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

GPO 872894

OPERATOR'S

Monthly Progress Report

October, 1955

DMEA-3740

Idm-E814

Work Accomplished:

Satisfactory progress has been made during October. Five feet of shaft was completed, and thirty feet of drift. The pegmatite is now 12-16" wide, and has a little mica in it. We have recovered about 400# of very small mica, of no commercial value, and several bags of small mica that may be sold.

Daily Notes:

October 3 - 7: Pumped water, drilled, shot and mucked. Completed the 50' of shaft as called for in the contract.

October 10 - 14 : Began drift from 50' level, drilling and shooting in vein. Mucked and pumped water.

October 17 - 21 : Continued in same direction with drift, picking up some mica, part of which is fair quality small size. Repeated operations as above.

October 24 - 31 : Pumped water. Drilled and shot. Vein narrowed to about 16". Continued to recover some mica. Mucked out waste.

P. O. Box 217
November 17, 1955

Mr. B. O. Thomas
Route 3
Bakersville, North Carolina

Reference: Grindstaff, Thomas and Boone Contract
Idm-E-814
DMRA-3740

Dear Mr. Thomas:

Reference is made to your MF-104 voucher covering the month of October 1955.

Adjustment in the amount of $10.00 has been made on "Rental of Operating Equipment". Your voucher claims the amount of $60.00 under this category, however, the contract calls for rental as follows:

1 jacklet at $10.00/mo.	$20.00
1 Pump at $50.00/mo.	187.50

The contract states that rental of operating equipment "the number of each object to be rented, the rate of rental, and the total of this subcategory are maximums", and to date a total of $20.00 has been allowed on your July-August and September vouchers for the jacklet.

Changes should be made as follows on your monthly report and voucher:

Monthly total	$1099.93
Totals previously reported	2112.91
Totals to date	3212.84

Sincerely,

Helen R. Miller
Administrative Assistant

/hbm
Copies to J. L. Chambers
V. J. Lynch
R. A. Laurence
Harris files

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

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

PAID ON VOUCHER & SCHEDULE OF PAYMENTS K- 32

OPERATOR'S MONTHLY REPORT AND VOUCHER

RECEIVED OCT 24 1955

Month of September 195 5 Docket No. DMEA 3740 Contract Idm-E314
Operator's Name Roy Grindstaff, B. G. Thomas & W. J. Boone Minerals Mica
Address Route 3, Bakersville, N. C.
Contract Amount, $ 4488.00 Government Participation: 75% Amount, $ 3366.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	414.54	434.16	898.70			
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives	139.73	180.23	319.96			
Pipe						
Track						
Supplies & Steel	243.16	197.44	440.60			
(4) Operating Equipment:						
Rental	60.00	60.00	120.00			
Purchase						
Depreciation	60.00	60.00	120.00			
(5) Initial Rehabilitation and Repairs		113.00	113.00			
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance	84.35	-	84.35			
Social Security Tax	8.46	7.84	16.30			
(8) Contingencies (specify):						
TOTALS	1010.24	1102.67	2112.91	1010.24	1102.67	2112.91

I certify that the above bill is correct and just and that payment therefor has not been received.
Date 10-12-55 *Payee B. G. Thomas

Per B. G. Thomas Title Partner

*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:

$ 757.68

Signature Helen R. Muller
(Authorized Certifying Officer)

Date OCT 21 1955 Vou. No. 87

(See other side)

252.56

(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. E814 in accordance with the terms of the contract.

Signature W. E. Lynch Title Mining Eng Date 10/20/55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature Robert A Lawrence Title EXECUTIVE OFFICER DMEA REGION V Date OCT 20 1955

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form 25F-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

RECEIVED
OCT 24 1955

Month of Sept. 1955 Docket No. DMEA 3740 Contract No. Idm-E 614
Operator's Name Roy Grindstaff, B. G. Thomas, & W. J. Boone Minerals Mica
Address Route 3, Bakersville, N. C.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT	
							Units	Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts		1010.24	17	1999.91	45	44.44	50	
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		1010.24		1999.91				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				113.00				
TOTAL COSTS		1010.24		2112.91				

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 10-12-55 Operator Roy Grindstaff B. G. Thomas and W. J. Boone

Per B. G. Thomas Title Partner

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

(Instructions on reverse)

REMARKS:

(For Government use only)

W. J. Lynch
Mining Eng.
Bureau of Mines

RECEIVED
OCT 24 1950

INSTRUCTIONS

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

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

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

GPO 872894

RECEIVED
OCT 24 1955

OPERATOR'S

Monthly Report of Progress

September, 1955

DMEA-3740

Idm-E 814

Work Accomplished:

We completed 17' of shaft, making a total of 45 feet. We have about 22" of vein and are now recovering some small mica, of fair quality but extremely small. Satisfactory progress is being made. Three men working full time.

Daily Notes:

Sept. 1 and 2 :	Pumped water, drilled, shot and mucked.
Sept. 5 - 9 :	Continued down, having to drill and shoot a great deal. Still in vein.
Sept. 12 - 16 :	Pumped water, drilled, shot and mucked. Began to recover some very small pieces of mica.
Sept. 19 - 23 :	Continued down with shaft, pumping water each day. Material looks much the same, and we are still picking up some small mica.
Sept. 26 - 30 :	Reached 45' level with shaft, and to date have recovered about 150# of small mica. Vein now about 22" wide.

Three men working full time.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
ELECTROTECHINCAL LABORATORY
NORRIS, TENNESSEE

RECEIVED
OCT 24 1955

P. O. Box 217
October 21, 1955

Memorandum

To: Jay L. Chambers, Defense Minerals Exploration Administration, Interior Building, Washington, D. C.

From: Administrative Assistant, Electrotechnical Experiment Station, Norris, Tennessee

Subject: Monthly report and voucher

We are enclosing two copies of the following monthly report and voucher:

Idm-E-814 Grindstaff, Thomas and Boone
DMEA Docket No. 3740
2nd payment - month of September
Amount $757.68

Helen Miller
Helen R. Miller

Attachments
/hbm
Copies to V. J. Lynch
R. A. Laurence
Norris files
Day files

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

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

PAID ON VOUCHER & SCHEDULE OF PAYMENTS K- 25

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of August, 1955 Docket No. DMEA 3740 Contract No. Idm-E 814

Operator's Name Roy Grindstaff, B. G. Thomas & W. J. Boone Minerals Mica

Address Route 3, Bakersville, N. C.

RECEIVED OCT 7 - 1955

Contract Amount, $ 4488.00 Government Participation: 75 % Amount, $ 3366.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	482.16		482.16			
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives	180.23		180.23			
Pipe	5.25		5.25			
Track						
Supplies & Steel	192.19		192.19			
(4) Operating Equipment:						
Rental	60.00		60.00			
Purchase						
Depreciation	60.00		60.00			
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.	113.00		113.00			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
Social Security	9.84		9.84			
(8) Contingencies (specify):						
TOTALS	1102.67		1102.67	1102.67		1102.67

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

Date 9-14-55 *Payee B. G. Thomas

Per B. G. Thomas Title Partner

*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:

$ 827.00

Signature Helen R. Mullis
(Authorized Certifying Officer)

Date OCT 5 1955 Vou. No. 65

(See other side)

5 7/5

275.67

(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. 6814 in accordance with the terms of the contract.

Signature Kelton H. Teague Title Geologist, U.S.G.S. Date 9/26/55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature Robert A Lawrence Title EXECUTIVE OFFICER DMEA REGION Date SEP 28 1955

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED
OCT 7 - 1955

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of August 1955 Docket No. DMEA 3740 Contract No. [illegible]
Operator's Name Ray Consolidated, D. G. Thomas & W. J. Thomas Minerals Mica
Address Route 3, Gainesville, Ga.

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	ft.	810.67	23	810.67	23	35.24		
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		810.67		810.67				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.		139.00		139.00				
TOTAL COSTS		949.67		949.67				

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 9-24-55 Operator Ray Consolidated, D. G. Thomas and W. J. Thomas

Per B. J. Thomas Title Partner

REMARKS:

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

(Instructions on reverse)

(For Government use only) Kepton H. Teague, Geologist

INSTRUCTIONS

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

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

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

GPO 872894

OPERATOR'S

RECEIVED

OCT 7 - 1955

Monthly Report of Progress
July & August, 1955

DMEA-3740

Idm-E314

Work Began: July 5, 1955

Work Accomplished:

We moved in equipment, set up mast and boom pole, constructed toolhouse and powder and exploder magazines, and lowered an incline shaft to a depth of 28 feet during July and August. Satisfactory progress was made, and the shaft is in about 24" of vein. No mica so far.

Daily Notes:

July 5 - 8 : Moved in equipment, set up equipment and mast and boom pole. Began work on toolhouse.

July 11-15 : Began to lower shaft on an incline and completed about four feet. Completed toolhouse and powder & exploder magazines.

July 18-22 : Had to lose some time and did not accomplish too much. Continued down with shaft on part time basis.

July 25-29 : Pumped water, drilled, shot and mucked. Made satisfactory progress, still in vein. No mica recovered.

Aug. 1 -12: Pumped water. Mucked out waste. Continued to drill, and shoot.

Aug. 15 -26: Repeated same daily operations of drilling, shooting and mucking. Vein widened some, and a few pieces of mica began to show.

Aug. 29-31 : Reached 28' level with the shaft, still in vein and still showing some bits of mica. Drilled, shot and mucked. Pumped water. Three men working full time.

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: Messrs. Ray Grindstaff, R. G. Thomas and W. J. Boone
Route #3
Mocksville, North Carolina

Pursuant to the provisions of Exploration Project Contract No. 1da-9114, dated June 16, 1955, Docket No. DMEA-9740, hereinafter called the "contract", between Ray Grindstaff, R. G. Thomas, and W. J. Boone and the United States of America, hereinafter called the "Government"; to establish and fix the Government's percentage royalty on production and its lien therefor 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: Shaft sinking and subsequent drifting on the 50-foot level exposed a continuous, mica-bearing pegmatite cutting hornblende gneiss. Sufficient data were obtained to calculate indicated and inferred reserves of strategic mica.

THE UNITED STATES OF AMERICA

By C. P. Mattesdorf
Administrator, Defense Minerals Exploration Administration

Dated APR 1 3 1956

Mr. John Conley, LAND OWNER
Admr. R. File
Certification File

Field Team, Region V
Finance Office
Mr. Killegaard, 5222
Mr. Dietrich, 3061
Mr. Hook
Mr. Anderson

WCAnderson:ms 4/2/56
Copy to: Docket
Operating Committee
Mr. Johnson
Mr. Chambers
Mr. Clarence A. Fredell, EPS, 081

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

Messrs. Roy Grindstaff, B. G. Thomas APR 16 1956
and W. J. Boone
Route #3
Bakersville, North Carolina

Re: Docket No. DMEA-3740-Mica
Roy Grindstaff, B. G. Thomas
and W. J. Boone
John Conley Mine
Mitchell County, North Carolina
Contract No. Idm-2814

Gentlemen:

Transmitted herewith is a certification of discovery or development under Contract No. Idm-2814 on the John Conley Mine, Mitchell County, North Carolina.

By the terms of the Exploration Project Contract and of the certification, all production from the date of the Exploration Project Contract, June 10, 1955, is subject to the Government's percentage royalty as set forth in the contract until the sum of $3,366.00 is paid or until June 10, 1965, whichever occurs first.

You should continue to make royalty payments to Mr. Robert A. Lawrence, Executive Officer, DMEA Field Team, Region V, Room 13, Post Office Building, Knoxville, 2, Tennessee, as you have in the past and checks should be drawn payable to the Defense Minerals Exploration Administration.

Also, 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. Lawrence 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. Lawrence at six-month intervals that no production has been made.

Sincerely yours,

C. C. Mittendorf

Administrator

Enclosure

Mr. John Conley, LAND OWNER
Mr. Killgaard, 5222
Mr. Dietrich, 3061
Mr. Houk
Mr. Anderson
Admr. R. File
Certification File

WCAnderson:ms 4/9/56
Copy to: Docket
Operating Committee
Mr. Johnson
Mr. Chambers
Field Team, Region V

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

APR 1 6 1956

Mr. John Conley
Route #3
Bakersville, North Carolina

Re: Docket No. DMEA-3740-Lien
Roy Grindstaff, B. G. Thomas
and W. J. Boone
John Conley Mine
Mitchell County, North Carolina
Contract No. Idm-8814

Dear Mr. Conley:

Transmitted herewith for your information is a copy of the certification of discovery or development issued as a result of the exploration program under the above-referenced contract.

The property as set forth in the contract is the same property referred to in the Owner's Consent to Lien, dated May 11, 1955, and signed by John Conley of Bakersville, North Carolina.

Also enclosed is a copy of our letter to Messrs. Roy Grimistaff, B. G. Thomas and W. J. Boone.

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosures: 2

WCAnderson:ms 4/3/56
Copy to: Docket
Operating Committee
Mr. Johnson
Mr. Chambers
Field Team, Region V
Mr. Kiilsgaard, 5222
Mr. Dietrich, 3061
Mr. Houk
Mr. Anderson
Admr. R. File
Certification File

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

APR 1 1956

Mr. Clarence A. Fredell, Acting Director
Materials Division
Emergency Procurement Service
General Services Administration
7th and D Streets, S. W.
Washington, 25, D. C.

Re: Docket No. DMEA-3740-Mica
Roy Grindstaff, B. G. Thomas
and W. J. Boone
John Conley Mine
Mitchell County, North Carolina
Contract No. Idm-E814

Dear Mr. Fredell:

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

The exploration contract was signed on June 10, 1955, with the Government participation to the extent of 75 percent of $4,488.00 or $3,366.00. The project was started on July 5, 1955, and completed on December 14, 1955, after the expenditure of $4,488.00, which is the total net accepted cost according to the Audit Review. The Government paid 75 percent of the total accepted cost or $3,366.00.

The work performed on this project consisted of the construction of a toolhouse and powder and exploder magazines, 50 feet of incline and 85 feet of drifts(80 feet under contract). The incline and the drifts followed a continuous pegmatite averaging 2½ feet in thickness.

About 3,000 pounds of "mine-run" block mica was produced during the operation. The project work furnished sufficient data to calculate the following types of strategic mica reserves:

Indicated - 12,000 pounds "mine-run" block mica
Inferred - 9,900 pounds "mine-run" block mica

The DMEA is of the opinion that the project work was of definite benefit to the property and, therefore, we have certified that a discovery or development resulted from the work.

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosure

WCAnderson:ms 4/3/56
Copy to: Docket
Operating Committee
Mr. Johnson
Mr. Chambers
Field Team, Region V

Mr. Kilsgaard, 5222
Mr. Dietrich, 3061
Mr. Houk
Mr. Anderson
Admr. R. File
Certification File

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

600

Mr. Robert A. Lawrence
Executive Officer, DMEA
Field Team, Region V
Knoxville, 2, Tennessee

MAR 16 1956

Re: Docket No. DMEA-3731-Mica
Ed Hustins and Fred Gage
Randolph Prospect
Mitchell County, North Carolina
Contract No. IAm-2813

Docket No. DMEA-3740-Mica
Roy Grimsteff, B. G. Thomas
and W. J. Boone
John Conley Mine
Mitchell County, North Carolina
Contract No. IAm-2814

Dear Mr. Lawrence:

Please find herewith two copies of a memorandum from Mr. C. E. Fisher, Auditor, to Mr. Jay L. Chambers, Chief, Contract Administration and Audit Division, which sets forth a comprehensive and detailed analysis and discussion, from an auditing standpoint, of the costs incurred under the subject "actual cost" contracts.

This memorandum points out the substantial differences between the overall unit costs under these contracts, and also that some of these differences are more striking when the various elements entering into the overall costs are compared. Various factors are cited which may have contributed, in a large measure, to these differences, but it is highly probable that there are other masked factors that are better known to the examining engineer and geologist, who made periodic inspection visits while the work was in progress.

Please let us have your comments, with whatever explanations are available, for every element and factor that entered into the costs of these projects, including comments on type of work, timbering, efficiency of operator and final inventories of supplies.

In the matter of labor costs, which are slightly under 50% of the total costs, please note that the memorandum states, "the principal differences in the unit costs are explained by the very substantial variations in the hours of labor required for each foot of advance under the two contracts." These substantial variations should be readily explainable by those who were familiar with the personnel employed on each contract.

In regard to explosives, we wish you to comment on the difference between the average cost per foot of this item, under these two contracts, and the average of estimated costs of ten "unit cost" contracts: E825, E832, E840, E844, E846, E848, E852, E855, E876 and E894. The average cost of explosives under these ten "unit cost" contracts is $3.02 per foot for drifting and $3.14 per foot for sinking, as compared to $6.71 per foot for drifting and $5.86 per foot for sinking under Contracts E814 and E815.

In the case of all long form contracts, inventories of the remaining small tools and supplies should be supplied this office. The inventories should be taken whether the Government's interest is to be waived or a salvage value assigned to them. It would have been enlightening to know the quantities of explosives and drill steel remaining at the end of these projects.

Please note the comments on Operating Equipment Rental. We wish to have your comments on using a firm cost figure for all "unit cost" contracts, instead of one figure for rental and another for use allowance. To be most equitable, it is thought that the firm cost figure should be about the average between the rental ($325.00 per month) and the use allowance plus repairs and maintenance ($175.00 per month) or about $250.00 per month depending upon the size and amount of equipment.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Approved:

/s/ Robert W. Geehan

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

Enclosures: 2

JHopkins:ms 3/15/56

Copy to: Docket
Operating Committee
Mr. Chambers
Mr. Kiilsgaard, 5222
Mr. Dietrich, 3061
Mr. Houk
Mr. Hopkins
Admr. R. File

Governm[illegible] Copy

RECEIVED

DEC 14 1955

EXPLORATION PROJECT CONTRACT
AMENDMENT No. 1
Docket No. DMEA-3740
Idm-E814 (mica)
JOHN CONLEY MINE (Mitchell County, N. C.)

Contract Idm-E814, Docket No. DMEA-3740, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration and Roy Grindstaff, B. G. Thomas and W. J. Boone, c/o B. G. Thomas R#3, Bakersville, North Carolina, dated June 10, 1955 is amended as follows:

1. Article 3 is amended to read....." and shall bring the project to completion within a period of seven months (7) from date of contract.

Dated: November 23, 1955.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be obligated to pay, or the percentage of the cost which the Government may be obligated to pay, under the provisions of Article 5 of the contract form.

ROY GRINDSTAFF, B. G. THOMAS,
AND W. J. BOONE, Partners
Operators

Roy Grindstaff (Partner

B G Thomas (Partner)

W J Boone (Partner)

UNITED STATES OF AMERICA

By: Robert A. Lerner
Executive Officer, DMEA
Field Team, Region V

z

Docket No. ~~DMEA - 3740~~

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 ~~814~~

Date of Contract ~~or Amendment~~: June 10, 1955

Name and Address of Operator:

Roy Grindstaff, et al
Route 3
Bakersville, North Carolina

Amount of Government participation ____ $ 3,366.00

Percent of Government participation ~~75~~ %

Region: V State: North Carolina

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

Date Delivered to Bureau of Mines, Washington. 6/10/55

54458

Government's copy

RECEIVED
JUN 20 1955

MF-200
(Revised June 1954)

Docket No. DMEA 3740

Commodity Mica

Contract No. Idm-E 814

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

EXPLORATION PROJECT CONTRACT[1]

It is agreed this 10th day of June, 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] Roy Grindstaff, B. G. Thomas, and W. J. Boone, partners,

whose mailing address is Route 3
Bakersville, North Carolina,
hereinafter called the "Operator," as follows:

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

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

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

(b) The Operator represents and undertakes that:

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

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

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

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

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

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

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of mica. The work to be performed is described in Exhibit "A." The Operator on or before AUG 1 1955 shall commence the work, and on or before November 25, 1955 (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall either have completed the work or shall have incurred allowable costs (see Article 6) in a sum not less than the estimated total allowable cost set forth in Exhibit "A."

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

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

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

ARTICLE 5. *Contribution by the Government.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $ 4,488.00 The Government shall contribute ..... percent of the allowable costs as they are incurred in a total sum not in excess of $ 3,366.00 : *Provided,* That until the Operator has rendered to the Government his final report, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last

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

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

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

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

CATEGORY (2)—PERSONAL SERVICES.

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

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

Subcategory (c)—Labor.

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

CATEGORY (4)—OPERATING EQUIPMENT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 13. *Changes and added provisions.*—

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O. Mitchendorf
Administrator, Defense Minerals
Exploration Administration

ROY GRINDSTAFF, B. G. THOMAS,
and W. J. BOONE, partners
(Operator)

By Roy Grindstaff (Partner)

By B. G. Thomas (Partner)

By W J Boone (Partner)

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

.....

[CORPORATE SEAL]

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

RECEIVED

JUN 1955

EXPLORATION PROJECT CONTRACT
GRINDSTAFF, THOMAS, & BOONE
DOCKET NO. DMEA-3740

ANNEX I

The land referred to in Article 2 of the contract form is known as the Conley Mine and was leased for mining purposes to Roy Grindstaff, B. G. Thomas, and W. J. Boone by John Conley in an instrument dated March 18, 1955. It is located on the west side of Burns Mountain at the head of Silvers Hollow, 2.8 airline miles due south of Bakersville, Mitchell County, North Carolina, and is described as follows:

> Lying and being in Snow Creek Township, Mitchell Co., N.C., BEGINNING on a stake, W. J. Boone and John Conley line and runs N. 30° E 324' to a Dogwood near John Jarrett Spar Mine, thence N. 45° W. 700' to R. B. Phillips line; thence with R. B. Phillips line due West 690' to the road and J. W. Boone's corner; thence with J. W. Boone's line S. 10° E. to a Maple on the ridge; thence with Boone and Conley line S. 75° E. 950' to the beginning.

RECEIVED
JUN 2 0 1955

EXPLORATION PROJECT CONTRACT
GRINDSTAFF, THOMAS, & BOONE
DOCKET NO. DMEA-3740

EXHIBIT "A"

Description of the Work

Exploration for concentrations of strategic mica shall be accomplished in the area indicated on the map entitled "Sketch of Conley Mine, Mitchell Co., N. C. DMEA-3740 (mica)," attached hereto and made a part hereof, as follows:

1. Construct:

(a) A toolhouse, approximate dimensions 7 feet by 8 feet by 10 feet.

(b) A powder storage magazine, approximate dimensions 4 feet by 3 feet by $2\frac{1}{2}$ feet.

(c) An exploder storage magazine, approximate dimensions 2 feet by $1\frac{1}{2}$ feet by 1 foot.

The toolhouse may be unfloored; shall be made from rough, unfinished lumber, with protective roof covering; and shall be equipped with lock and key.

The powder and exploder magazines shall be boxed on all sides; shall be made from 2-inch hardwood or 3-inch softwood lumber; and shall be braced at the corners. No metal shall be exposed; and the lids or doors shall be securely locked with the equivalent of a 5-tumbler jarproof lock.

2. Sink on the pegmatite a 2-compartment inclined shaft to a depth of approximately 50 feet.

3. From the inclined shaft, explore the pegmatite by driving a total of approximately 80 feet of drifts and/or crosscuts.

The inclined shaft, and the drifts and/or crosscuts shall be timbered as necessary, and shall have maximum dimensions of 5 feet by 7 feet in the clear of timber.

The location, inclination, direction, and extent of all work are subject to the approval of the Government.

Estimated Costs of the Project
(In addition to the maximums set forth in the contract form, an asterisk indicates maximum.)

Category (1)	Independent Contracts - None	
Category (2)	Personal Services	
	(a) & (b) Supervision and Technical Services - None	
	(c) Labor Miners @ $1.50/hour* Hoistman @ $1.25/hour* Laborers @ $1.00/hour*	$2,570.00
Category (3)	Operating Materials and Supplies	1,192.50
Category (4)	Operating Equipment	
	(a) Rental	
	1 jackleg @ $10.00/mo.	20.00
	1 pump @ $50.00/mo.	187.50
	(b) Purchases - None	
	(c) Depreciation	
	1 compressor, 1 drill, and 1 hoist @ $60.00/mo.* for the three items	225.00
Category (5)	Initial Rehabilitation and Repairs - None	

Category (6)	New Buildings, Fixtures, and Installations	
	Toolhouse, powder magazine, and exploder magazine	$ 113.00
Category (7)	Miscellaneous - None except liability insurance and Social Security	180.00
	Estimated Total Cost of Project	$4,488.00
	Government Participation @ 75%	$3,366.00

MF-203
Revised March 24, 1955

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator_____
Docket No. DMEA-_____
Contract No. Idm-E_____
Contract Date_____

CONSENT TO LIEN

RECEIVED
JUN 20 1955

To the United States of America:

Referring to that certain land in the County of Mitchell, State of North Carolina, described as follows:1/ Lying and being in Snow Creek Township, Mitchell Co., N.C. BEGINNING on a stake, W. J. Boone and John Conley line and runs N. 30* E. 324' to a Dogwood near John Jarrett Spar Mine, thence N. 45* W. 700' to R.B. Phillips line; thence with R.B.Phillips line due West 690' to the road and J. W. Boone's corner; thence with J.W. Boone's line S. 10* E. to a Maple on the ridge; thence with Boone and Conley line S. 75* W. 950' to the beginning.

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom to secure the payment to the Government of a percentage royalty on production as may be provided for by the contract;2/ and represents and undertakes that there are no claims, liens, or encumbrances upon the undersigned's right, title, or interest in the land prior to that hereby granted to the Government other than the following:3/

None

3. Undertakes and agrees neither to commit any act nor assert any claim in conflict with the provisions of this Consent to Lien; and to give advance notice of the Government's rights under this Consent to Lien to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, or interest in the land; and

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 3-18-1955, and recorded in book 16 page 219 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/ Mining or production from the land is not required, and in the absence of production there is no obligation to repay the Government.

3/ Write "none" if that is the case. Do not leave lines blank.

4. Consents to all amendments and assignments of the contract without notice thereof, and agrees that this Consent to Lien shall extend and apply thereto.

5. Added provision: _____

Dated this 11 day of May, 1955.

John Conley [Seal] Rt. 3. Bakersville, N.C.

_____ [Seal]

_____ [Seal]

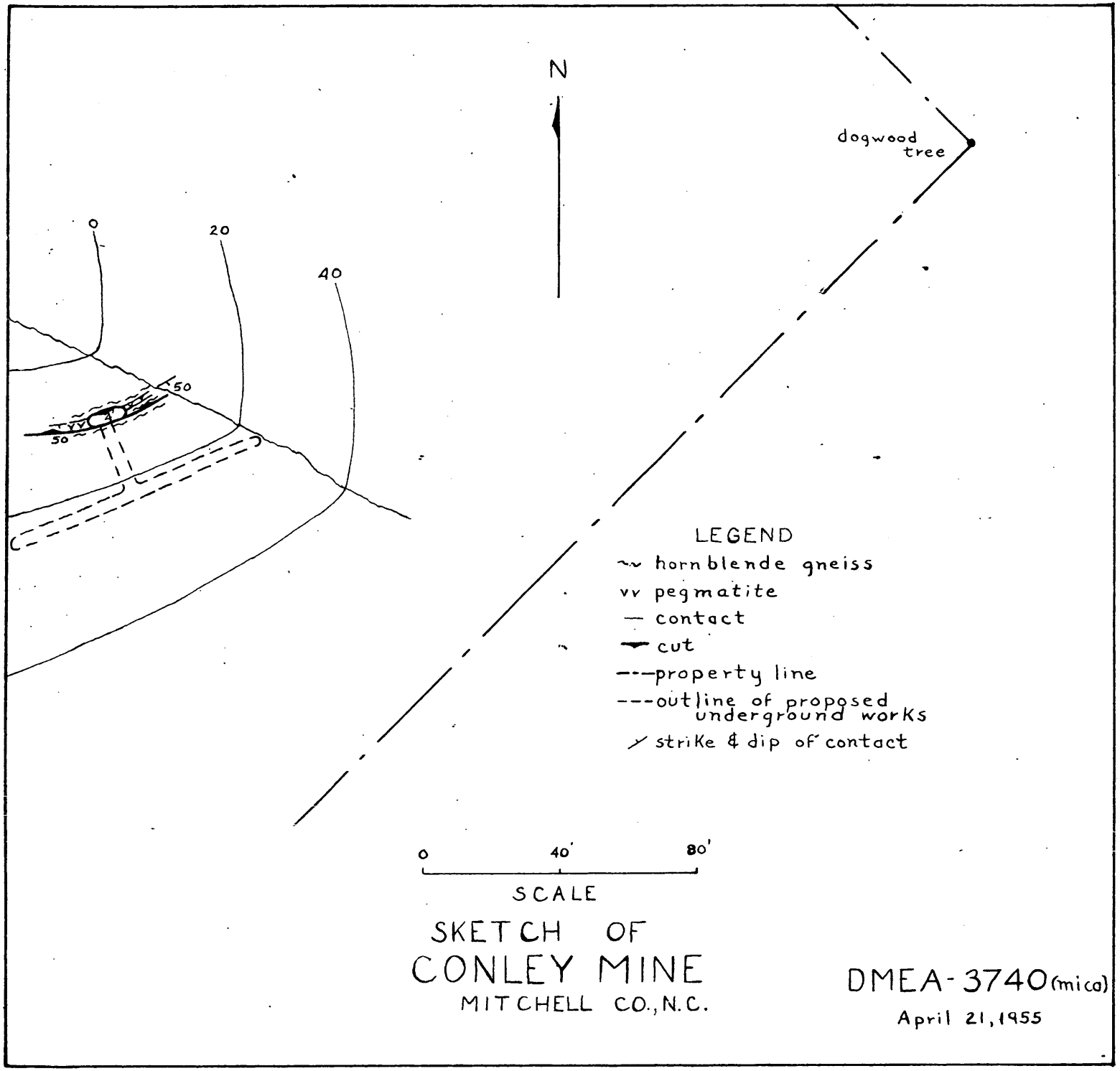
I, _____ certify that I am the _____ (Secretary, etc.) of the corporation named herein; that _____ who signed this agreement was then _____ (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing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

_____ [Corporate Seal]

I, Kenneth McGuire, Notary Public, County of Mitchell, State of North Carolina, do certify that John Conley, did personally appear before me and acknowledge execution of the foregoing instrument.

Kenneth McGuire
Notary Public

My commission expires: 8/11/55



SKETCH OF
CONLEY MINE
MITCHELL CO., N.C.

DMEA-3740 (mica)
April 21, 1955