DMEA Form 9

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration

OFFICIAL DOCKET FILE

DMEA NO. 371

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(Withdrawn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

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

This is the official contract file containing all official records of the project. The records contained in the files are checked and are arranged in this order:

**Left Side**

Interim Royalty Audits
✓ Reports of Royalty Review
Certification of Discovery
✓ Certificate of Audit (Final)
✓ Interim Audit(s)
Report of Review
Termination Notice or Agreement
Recision Notice
Assignment of Contract
✓ Contract Amendments (latest on top)
✓ Contract with all exhibits and annexes
Owner's Consent to Lien
Subordination Agreement
Leases and assignments of leases
✓ Application and attachments
(3) ✓ Envelope for maps

**Right Side**

✓ Project summary 8/29/57
Work completed analysis
All other material is filed in chronological order with correspondence including the following reports as checked:

✓ Final Field Team Report (Tab) 2-21-57
✓ Operator's Final Report 3/28/59
(2R) Interim Reports
(2R) Operator's monthly reports and all attachments (latest on top)
✓ On-site Exam Report(s) (Tab)
(4) Settlement Sheets

When the volume of records is expected to warrant additional folders, or when convenience of reference warrants separate folders for certain records, they should be set up in this order:

**Left Side**

✓ Folder No. 2: (In chron. order) Interim Summary Reports by W. O. Engineers + MF's 104

**Right Side**

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

Folder No. 3: Maps (Use pocket folder or envelope. Fold maps with title block out and show reference to related document or correspondence.)

Folder No. 4: Settlement Sheets

Folder No. 5: Drill Logs

9775

I-C-DC-OME-6-69

Extra copy

# UNITED STATES
# DEPARTMENT OF THE INTERIOR

## Office of Survey and Review

## Audit Operations

Report of Royalty Review Contract-Idm-E67
Docket No. DMEA-371 (Lead, Zinc, Copper)
Peru Mining Company (Operator)
Grant County, New Mexico

Washington, D. C.
January 1969

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
OFFICE OF SURVEY AND REVIEW
AUDIT OPERATIONS, REGION I
1325 K STREET, N. W., ROOM 614
WASHINGTON, D. C. 20005

JAN 31 1969

Memorandum

To:q Director, Geological Survey

From: Regional Director, Audit Operations, Region I

Subject: Royalty Review - Contract Idm-E67
Docket No. DMEA 371 (Lead, Zinc, Copper)
Peru Mining Company (Operatory)
Grant County, New Mexico

As requested by the Chief, Office of Minerals Exploration, we made a royalty review of Contract Idm-E67. The results of our review are shown in the attached report.

C. D. Bare

We examined the cash receipts records in the Branch of Budget and Finance, Administrative Division, Geological Survey, and reviewed the contract files of the Office of Minerals Exploration (OME), pertaining to royalty due to the Government on the value of production from the property included in the subject minerals exploration contract. The review was accomplished at Washington, D. C. during January 1969.

The Government's participation in the cost of the exploration amounted to $37,903, subject to repayment without interest, through royalty on the value of any production from the property between July 18, 1951, and July 18, 1968.

A royalty review performed May 15, 1962, established that no sales subject to the Government's royalty were made, and therefore no royalty payments were received through May 2, 1962.

The present review covered sales by the Operator of 253.11 short dry tons of zinc concentrate and 17.70 short dry tons of lead concentrate mined during the production period six months prior to the February 1967 shutdown. The status of the royalty account for this project indicated that the total royalty payable and paid amounted to $1,080. These reported sales and royalty payment resulted from a completed "MME Form 63, Request for Information on Certified Project Under Royalty Agreement," requested by OME on January 17, 1968.

The OME files do not indicate whether there was any stockpiling of ore during the contract period or production from February 20, 1968, to July 18, 1968, the end of the royalty period. We recommend that the Chief, OME take the appropriate action to determine whether there was any other production for which the Federal Government should be paid royalty.

C. D. Bar

Regional Director

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FEB 3 9 21 AM 1969
OFFICE OF THE DIRECTOR

I-C-DC-OME-6-69

# UNITED STATES
# DEPARTMENT OF THE INTERIOR

## Office of Survey and Review

## Audit Operations

Frank Johnson

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Report of Royalty Review Contract-Idm-E67
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Washington, D. C.
January 1969

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OFFICE OF THE SECRETARY
OFFICE OF SURVEY AND REVIEW
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OFFICE OF THE DIRECTOR

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-867, Docket DMA-371X (lead-zinc-copper), dated July 18, 1951, with

Peru Mining Company
415 Chrysler Building
New York, New York
and
Silver City, New Mexico

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 Grant County Mine located in the Central Mining District, Grant County, New Mexico, during the period June 10, 1959, through May 2, 1962.

In accordance with Amendments Nos. 4 and 7 (and Annex I attached to Amendment No. 7) of the contract, royalty is payable on all minerals produced from the land described in Article 2 of the contract for a period of 17 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 July 12, 1957, indicated accepted costs under the exploration contract amounting to $75,805.22 with the Government's contribution on a 50 percent basis being $37,902.61.

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

This review established no sales subject to the Government's royalty subsequent to the period covered by a prior Report of Royalty Review which also found no sales subject to the Government's royalty through June 9, 1959. Accordingly, as of May 2, 1962, the royalty account of this project was found to be:

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

E. D. Talbert

May 15, 1962

E. D. Talbert, OME Auditor

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

This contract as amended provides that the Operator, as principal if the producer or as surety if not the producer, shall pay to the Government a percentage royalty on all minerals produced from the 10 patented and 2 unpatented claims, aggregating 175.659 acres in secs. 22 and 23, T. 17 S., R. 12 W., N.M.P.M. At the time the contract was executed the Operator was the owner of all the claims.

Exploration work on this project was discontinued on March 24, 1956. Further exploration work on the Operator's account was completed on May 14, 1956. No ores were produced during the exploration period. Examinations of the property, consultations with the Operator's officials, and the Operator's replies to inquiries indicate that, other than additional exploratory drilling in 1956 and 1959, the property has remained inactive.

The claims under the exploration project contract were included in warranty deeds dated March 25, 1960, transferring an undivided one-half interest from the Operator to the American Zinc, Lead & Smelting Company, 1515 Paul Brown Building, St. Louis 1, Missouri. This transfer was in connection with a proposed development of the property under a joint venture known as the American-Peru Mining Company, Silver City, New Mexico.

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 no ores have been produced from the subordinated property since the date of the contract; and

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

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**DEFENSE MINERALS EXPLORATION ADMINISTRATION**
**CONTRACT ADMINISTRATION AND AUDIT DIVISION**

## AUDIT CERTIFICATE

I have examined the records and transactions of:

**Pera Mining Company**
**P. O. Box 309**
**Silver City, New Mexico**

pertaining to Exploration Contract Idm-867, Docket No. ~~DMA-371X, dated July 18,~~ 1951, including Amendments Nos. 1 through 7, covering a project for the exploration of lead, zinc, and copper on property contiguous to Kearney Mine in Grant County, New Mexico, for the period July 18, 1951 through May 31, 1956, inclusive, and the subsequent disposition of project property.

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 the Contractor | | $110,714.41 |
| Less: Proceeds from disposition of property | | 3,896.96 |
| Net Claimed Cost | | $106,817.45 |
| Exceptions: (See Audit Report for details) | | |
| Prior to this audit | $28,119.33 | |
| Less: Reinstatements this audit | 12,302.60 | |
| Net Exceptions prior to this audit | $15,816.73 | |
| During this audit | 15,195.50 | 31,012.23 |
| Total Accepted Cost | | $75,805.22 |

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Thirty-seven thousand, nine hundred two and 61/100ths Dollars

** $37,902.61 **

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.

Donald T. Finch

July 12, 1957

Donald T. Finch, Auditor

# AUDIT REPORT

## I INTRODUCTION

On June 26 and 27, 1957, a final audit (covering operations for the period of July 18, 1951 to May 31, 1956) was made of the records and transactions pertaining to Exploration Contract No. Idm-267, Docket No. DMA-371X, dated July 18, 1951, including Amendments Nos. 1 through 7, with the

**Peru Mining Company**
**P. O. Box 309**
**Silver City, New Mexico**

covering a project for the exploration of lead, zinc and copper on property contiguous to the Kearney Mine in Grant County, New Mexico.

The accounting records under this contract are located in the company's office at its Kearney Mine, which is near Central, New Mexico.

Mr. T. M. Romele, Mining Engineer, U. S. Bureau of Mines, Tucson, Arizona, assisted in the audit. During the course of the audit Mr. J. W. Faust, General Manager, Mr. Joseph H. Taylor, Vice-President, and Mrs. Adah Fleming, Assistant Secretary, were consulted when necessary. Their cooperation greatly facilitated the audit.

## II GENERAL INFORMATION ON RECORDS

The accounting records for the exploration project are integrated through a modern and apparently comprehensive system with the company's "branch" accounts covering the exploration development and mining operations at the mine.

The source documents covering the costs of this project are recorded on monthly work sheets that form the basis for preparation of the monthly MF-104 reports. This audit, therefore, involved in general, a check of the source documents against the monthly work sheets and reconciliation with the MF-104 reports. All costs except some materials were recorded on an accrual basis.

## III SCOPE OF AUDIT AND FINDINGS

The audit was limited to ascertaining the accuracy, propriety and validity of the costs as shown in the Totals to Date column of Form MF-104, Operator's Monthly Report and Voucher dated July 1, 1957, covering the period November 1, 1955 through May 31, 1956. This referenced MF-104 report was filed subsequent to the on-site audit and formalizes the Operator's total claimed costs.

In view of previous audits by Donald T. Finch covering the periods July 18, 1951 to June 30, 1952, and July 1, to December 31, 1952, except as otherwise indicated, this audit was restricted to the costs claimed by the operator since that later date. Prior to the on-site audit considerable time was spent in the DMEA office at Denver, Colorado on preaudit analysis and outline of working papers. The extent of the audit and the findings under each of the "Items of Cost" follows:

(1) Independent Contracts

The exploration contract authorized churn drilling for an air shaft starting at about 12" size and ending at about 9" size, to connect with a drift on the 625 foot level of the Kearney Mine. The exploration contract further provided that none of this churn drilling could be performed by independent contractors unless prior written approval from the Government was received.

A subcontract dated December 5, 1951, between the operator and the Johnson Drilling Company providing for this churn drilling at a maximum rate of $10.50 per foot, was approved in writing by the Executive Officer of the DMA on January 24, 1952.

As of March 16, 1953, it was reported the churn drill hole had a total depth of 912.5 feet but that between 242.5 feet and 331.5 feet of the lower portion was only 6" size. Also, the hole bottom was not connected with the drift. At that time the operator had recessed both mining and exploration operations and, in the opinion of the Executive Officer of the DMEA Field Team, none of the churn drilling was then acceptable from an engineering standpoint. The entire claimed costs for churn drilling as of December 31, 1952 were therefore disallowed pending completion - according to engineering specifications.

On October 24, 1955, the McBee Drilling Company began clean-out and reaming operations on an hourly basis. The McBee Drilling Company's work continued into March, 1956. According to a report to the Executive Officer from the Superintendent, Southwest Experiment Station, U.S.B.M., Tucson, Arizona, dated June 18, 1956, the churn drill hole is now reamed to 12" diameter and is connected to the drift by 94 feet of crosscut.

On July 9, 1956, the Operating Committee advised the Executive Officer of the DMEA Field Team that, pursuant to Amendment No. 7 to the Exploration Contract, all Government obligation to contribute to costs not accrued by November 1, 1955, were terminated because of the operator's failure to resume operations by that date. The operator was notified to this effect by certified mail dated July 12, 1956.

Analysis of the Operator's claimed costs, disallowances, reinstatements and accepted costs follows:

(See next page)

Total costs of churn drilling claimed by Operator

| | | |
|---|---|---|
| Paid to Johnson Drilling Co., period 12/1/51 to 11/30/52 | | $85,301.17 |
| Paid to McBee Drilling Co., period 10/24/55 to 3/31/56 | | 12,988.00 |
| Total claimed on MF-104 dated 7/1/57 | | $98,289.17 |
| Prior disallowances (See audit report dated 3/20/53) | $85,301.17 | |
| (1) Less: Reinstatements present audit 912.5 ft @ allowable maximum of $10.50 per ft. established by approved subcontract | 9,581.25 | |
| Net Prior Disallowances | $75,719.92 | |
| (2) Add: Disallowances this audit | 12,988.00 | |
| Total Disallowances | | $88,647.92 |
| Accepted Cost of Churn Drilling | | $ 9,581.25 |

(1) Reinstatement of churn drill hole bottomed during period December 1, 1951 to November 30, 1952, and subsequently completed to engineering specifications required by Exploration Contract prior to date engineers' final report dated February 21, 1957. The Executive Officer of the DMEA Field Team and the Auditor concur in this reinstatement.

(2) The disallowance this audit of the $12,988.00 paid to McBee Drilling Co. for work necessary to complete the churn drill hole to required specifications is disallowed because:

(a) Prior approval of this subcontract was not requested or secured.

(b) Such costs were in excess of the allowable maximum rate of $10.50 per foot established by the approved subcontract. The Executive Officer and the Auditor concur in this disallowance.

(2) Labor and Supervision

(a) Labor

All charges under the item of labor for the period January, 1953 and for the period November 22, 1955 to May 14, 1956, were checked to the monthly work sheets, payrolls and time cards approved by the foreman.

The certifying officer had previously disallowed labor costs claimed by the operator for the month of January, 1953, because of disallowances in the audit report dated March 20, 1953, involved items upon which the operator had previously received contribution from the Government. The cost of this labor amounting to $1,311.03 was incurred in connection with the advancement of 86 feet of main drift authorized by the Exploration Contract. This labor cost is reinstated in this audit report with the concurrence of the Executive Officer and the auditor.

Analysis of accepted labor costs follows:

| | | | |
|---|---|---|---|
| Balance December 31, 1952 (See previous audit) | | | $86,652.76 |
| January, 1953 (Reinstated) | | | |
| 160 hrs. | Machine Miner | $467.97 | |
| 160 " | Track Man | 292.32 | |
| 70 " | Shovel Operator | 181.60 | |
| 70 " | Muncker | 105.30 | |
| 183 " | Cagers | 318.42 | |
| 3 " | Slusher Operator | 5.82 | 1,311.03 |
| Accepted Costs | | | 87,963.79 |

The Operator's final MP-104 dated July 1, 1957, includes the following additional claimed costs which are disallowed in this audit report with the concurrence of the Executive Officer and the Auditor:

| | |
|---|---|
| Cross-cutting to connect churn drill to main drift 208 hours Machine Miner Nov. 22, 1955 through March 29, 1956. Work performed subsequent to default date Nov. 1, 1955, and was necessary to bring churn drill hole to contract specifications | $540.29 |
| Diamond Drilling 152 hours Driller' time, May 3 to May 14, 1956. Work performed without prior approval as required by Exploration Contract and subsequent to default date Nov. 1, 1955 | 297.44 |
| Total Labor Disallowances this audit | $837.73 |

(b) Supervision

Salaries personnel are paid from the Chicago office of the Company. Charges for supervision are based on the schedule contained in Exhibit D of the contract. Monthly charge for supervision was as follows:

| | |
|---|---|
| Superintendent 10% of monthly salary of $550.00 | $ 55.00 |
| Foreman 10% of monthly salary of $450.00 | 45.00 |
| Engineer 50% of monthly salary of $325.00 | 162.50 |
| Total monthly charge for Supervision | $262.50 |

Charges for supervision of $262.50 applicable to the month of January, 1953, had been disallowed by the certifying officer for the reason outlined above under Labor. This item is reinstated in this report with the concurrence of the Executive Officer and the Auditor.

Analysis of the accepted costs of Supervision follows:

| | |
|---|---|
| Balance December 31, 1952, per previous audit report | $3,864.85 |
| January, 1953 (Reinstated) | 262.50 |
| Accepted Cost of Supervision | $4,127.35 |

The Operator's final MF-104 dated July 1, 1957, includes a claim for supervision of $262.50 applicable to the disallowed crosscutting and diamond drilling discussed under Labor above. This additional claim for supervision is disallowed in this report for the same reasons outlined under Labor. Via: Work performed subsequent to default date November 1, 1955, and where applicable without prior approval from the DMEA.

(e) Technical Services

There were no charges for technical services subsequent to December 31, 1952. The acceptable cost as of that date as shown by the previous audit report, amounted to $1,988.00, paid for the services of a consultant geologist.

(3) Operating Materials and Supplies

All charges under this category for the period January, 1953, and for the period November 22, 1955 to May 14, 1956, were checked to the monthly work sheets and to the supporting warehouse requisitions. Mr. Romalo, Mining Engineer, examined all requisitions for materials and supplies to determine the propriety of the items charged and the necessity of the items to the project. Mr. Romalo also compared unit costs of materials shown on warehouse requisitions with suppliers' invoices to determine the reasonableness of the costs for materials and supplies charged to the DMEA project. The cost of materials and supplies charged to the DMEA project was based on an average unit cost and was the same basis used by the operator to charge its other operations.

Charges for materials and supplies applicable to the month of January, 1953, had been disallowed by the certifying officer for the reason previously discussed in this report under Labor. The January, 1953, charges for materials and supplies have been reinstated in this report with the concurrence of the Executive Officer and the Auditor.

The acceptable costs of materials and supplies are analyzed as follows: -

(See next page)

| | | | |
|---|---|---|---|
| **EXPLOSIVES** | | | |
| Balance December 31, 1952, per previous audit | | $6,541.04 | |
| January, 1953 (Reinstated) | | | |
| 3,010 sticks of 60% Powder | $212.43 | | |
| 332 Blasting caps | 80.81 | | |
| 22.5 lbs. Blasting wire | 17.55 | 310.79 | $ 6,851.83 |
| **PIPE** | | | |
| Balance December 31, 1952, per previous audit | | $2,725.45 | |
| January, 1953 (Reinstated) | | | |
| 180 Ft. 1" Pipe | $22.80 | | |
| 180 Ft. 2" Pipe | 48.00 | 70.80 | |
| Subtotal | | $2,796.25 | |
| Less: Prorated portion of Proceeds from liquidation approved March 18, 1957 | | 620.79 | 2,175.46 |
| **TRACK** | | | |
| Balance December 31, 1952, per previous audit | | $1,703.45 | |
| January, 1953 (Reinstated) | | | |
| 364 lbs. 20 lb. rail | $26.00 | | |
| 60 lbs. spikes | 9.44 | | |
| 30 Splice bars | 11.02 | | |
| 10 lbs. Track bolts | 1.64 | | |
| 1,820 lineal feet of 4" x 4" ties * (Distribution transferred this audit from Other Supplies) | 825.07 | 873.17 | |
| Subtotal | | $1,976.62 | |
| Less: Prorated portion of proceeds from liquidation approved March 18, 1957 | | 394.37 | 1,582.25 |
| ***OTHER SUPPLIES** | | | |
| Balance December 31, 1952, per previous audit | | $3,356.13 | |
| January, 1953 (Reinstated) | | | |
| 100 Ft. #12 wire | $2.21 | | |
| 15 J.L. Insulators | 4.74 | 6.95 | 3,363.08 |
| Total Accepted Cost of Materials and Supplies | | | $13,972.62 |

The operator's final MP-104 dated July 1, 1957, includes additional claim of $516.88 for explosives used in driving the crosscut to connect the churn drill hole to the drift and $148.89 for 3 diamond drill bits used for unapproved diamond drilling. These additional costs are disallowed in this report with the concurrence of the Executive Officer and the Auditor because the work was performed subsequent to the default date of November 1, 1955 and without prior approval where required.

Power

Electric power is furnished by the Community Public Service Company. All monthly power invoices were examined for the period January, 1953, and for the period November 22, 1955 to May 3, 1956, to determine the lowest applicable

minimum rate for KWH energy consumed. The previous audit report sets forth in detail a formula for allocation of electric power to the project, which was developed by the Auditor with the assistance of Mr. Soule, Mining Engineer. It was determined by recomputation during the audit that the charge to the project for electric power during January, 1953, was derived by use of that formula.

Charges for power applicable to January, 1953, had been previously disallowed by the certifying officer as had all other January, 1953, costs, and are reinstated in this report with the concurrence of the Executive Officer and the Auditor. The accepted cost of power is as follows:

| | | |
|---|---|---|
| Balance December 31, 1952, per previous audit | | $4,654.80 |
| January, 1953 (Reinstated) | | |
| 34,078 KWH @ minimum rate of 9.20 mills | $313.52 | |
| Add 2% tax | 6.27 | 319.79 |
| Accepted Total Cost of Power | | $4,973.99 |

The operator's final MP-104 dated July 1, 1957, included an amount of $96.81 disallowed in the previous audit as being in excess of minimum cost. This final MP-104 also included an additional claim for power applicable to cross-cutting and diamond drilling performed subsequent to default date of November 1, 1955. This excess claim for power in the amount of $388.61 is disallowed in this report with the concurrence of the Executive Officer and the Auditor.

(4) Operating Equipment: Purchases

There were no charges for operating equipment subsequent to December 31, 1952. Analysis of the acceptable cost of operating equipment follows:

| | | |
|---|---|---|
| Balance December 31, 1952, per previous audit report | | |
| 1 | EJ B-2 Two Drill Boom Jumbo with Power Feed Shell | $4,105.15 |
| 4 | EA 30 Power Feed Drifters | 3,860.00 |
| 80 | Mine Cars, complete | 5,024.70 |
| | Balance December 31, 1952 | $12,989.85 |
| Less: | Prorata portion of proceeds from liquidation approved March 18, 1957 | 2,881.80 |
| | Accepted Cost of Equipment | $10,108.05 |

(5) Initial Rehabilitation and Repairs

Not applicable to this contract.

(6) New Buildings, Improvements, etc.

Not applicable to this contract.

(7) Miscellaneous

(a) Repairs to Equipment

There were no charges for operating expenses subsequent to December 31, 1952. The balance on that date of accepted cost of repairs as shown by the previous audit is $557.49.

(b) Payroll Taxes, Liability Insurance, Workman's Compensation Insurance, and Occupational Disease Insurance

Charges for the foregoing elements of cost applicable to January, 1953, were confirmed by applying rates in effect, as shown by the operator's files, to the applicable payrolls.

The certifying officer's previous disallowance of the charges for these elements applicable to January, 1953, are reinstated in this audit report with the concurrence of the Executive Officer and the Auditor. See previous discussion in this report under Labor.

The operator's final MP-104 dated July 1, 1957, included additional claim for these elements of cost which were applicable to the disallowed cross-cutting and diamond drilling. This additional claim for these elements of cost are also disallowed for the same reasons, with the concurrence of the Executive Officer and the Auditor. Analyses of the acceptable cost of these elements of cost follow:

PAYROLL TAXES

| | | |
|---|---|---|
| Balance December 31, 1952, per previous audit | | $756.78 |
| January, 1953 | | |
| Federal Old Age Benefits @ 1.5% | $89.66 | |
| Federal Unemployment @ 0.3% | 5.38 | |
| New Mexico State Unemployment @ 0.5% | 15.67 | 50.55 |
| Accepted Cost of Payroll Taxes | | $807.33 |

Payroll Taxes Disallowed $38.04

LIABILITY INSURANCE

| | |
|---|---|
| Balance December 31, 1952, per previous audit | $ 15.07 |
| January, 1953 | |
| 5¢ per hundred of Payroll (Reinstated) | .79 |
| Accepted Cost of Liability Insurance | $ 15.86 |

Liability Insurance Disallowed $0.55

WORKMAN'S COMPENSATION INSURANCE

| | |
|---|---|
| Balance December 31, 1952, per previous audit | $1,482.82 |
| January, 1953 | |
| $7.[illegible] per hundred of Payroll less 6.5% Disc. (Reinstated) | 103.[illegible] |
| Accepted Cost of Workman's Compensation Insurance | $1,5[illegible].50 |

Workman's Compensation Insurance Disallowed $60.79

OCCUPATIONAL DISEASE INSURANCE

| | |
|---|---|
| Balance December 31, 1952, per previous audit | $232.29 |
| January, 1953 | |
| .795 per hundred of Payroll less 6.5% Disc. (Reinstated) | 11.70 |
| Accepted Cost of Occupational Disease Insurance | $243.99 |

General

The Administrator, on March 18, 1957, authorized the Acting Executive Officer of the DMEA Field Team, Region III, to accept the Operator's offer of $3,896.96 for liquidation of jointly owned property, including unexpended materials and supplies.

Comparison of the Finance Officer's records of this contract shows the following:

| | |
|---|---|
| Total payment of Government's contribution to date | $37,935.09 |
| 50% of the accepted costs shown in this audit report | 37,902.61 |
| Excess Payment | $ 32.48 |

## IV CONCLUSIONS

This audit has disclosed that all costs as charged to this project, with the exception of the disallowances aggregating $31,012.23 as itemized in the preceding section of this report, are reasonable and proper under the terms of the contract.

The adjustments between "Items of Costs" as shown on the Operator's final MF-104 dated July 1, 1957, the disallowances and the accepted costs, as disclosed by this audit, are summarized in Exhibit "A" attached hereto.

At the conclusion of the audit on June 27, 1957, the findings were discussed with Mr. J. W. Faust, General Manager and Mrs. Adah Fleming, Assist-Secretary of the Company. On July 1, and again on July 12, 1957, the findings were discussed with Mr. W. H. King, Executive Officer, DMEA Field Team, Region III.

Donald T. Finch

July 12, 1957

Donald T. Finch, Auditor

EXHIBIT "A"

AUDIT SUMMARY

PERU MINING COMPANY

DOCKET DMA-371X.

CONTRACT I6m-B67

| | OPERATOR'S FINAL CLAIM | | PRIOR DISALLOWANCE | | REINSTATED | | DISALLOWED | PROCEEDS | |
|---|---|---|---|---|---|---|---|---|---|
| | AS FILED 7/1/57 | DISTRIBUTION CORRECTED | CERTIFYING OFFICER | PRIOR AUDIT | CERTIFYING OFFICER | PRIOR AUDIT | FINAL AUDIT | FROM LIQ-UIDATION | ACCEPTED COSTS |
| **Contracts** | | | | | | | | | |
| Churn Drilling | $ 38,229.17 | $ 38,229.17 | $16,927.42 | $8,373.75 | $1,207.50 | $8,373.75 | $12,928.00 | | $ 9,581.25 |
| **Labor and Supervision** | | | | | | | | | |
| Labor | 28,801.52 | 28,801.52 | 1,311.03 | | 1,311.03 | | 837.73 | | 27,963.79 |
| Supervision | 4,389.85 | 4,389.85 | 262.50 | | 262.50 | | 262.50 | | 4,127.35 |
| Technical Services | 1,928.00 | 1,928.00 | | | | | | | 1,928.00 |
| **Operating Materials & Supplies** | | | | | | | | | |
| Explosives | 7,368.31 | 7,368.31 | 310.79 | | 310.79 | | 516.48 | | 6,851.83 |
| Pipe | 2,798.33 | 2,796.25 | 70.80 | | 70.80 | | | $ 620.79 | 2,175.46 |
| Track | 1,777.35 | 1,976.62 | 273.17 | | 273.17 | | | 394.37 | 1,582.25 |
| Other Supplies | 3,560.27 | 3,511.97 | 6.95 | | 6.95 | | 148.89 | | 3,363.08 |
| Power | 5,459.41 | 5,459.41 | 319.79 | 96.81 | 319.79 | | 388.61 | | 4,973.99 |
| Diamond Drill Bits (Net) | 148.89 | | | | | | | | |
| **Operating Equipment** | | | | | | | | | |
| Purchases | 12,989.85 | 12,989.85 | | | | | | 2,881.80 | 10,108.05 |
| **Miscellaneous** | | | | | | | | | |
| Repairs to Equipment | 557.49 | 557.49 | | | | | | | 557.49 |
| Payroll Taxes | 859.37 | 859.37 | 50.55 | | 50.55 | | 52.04 | | 807.33 |
| Liability Insurance | 16.41 | 16.41 | .79 | | .79 | | .55 | | 15.86 |
| Workmen's Compensation Ins. | 1,586.20 | 1,586.20 | 103.28 | | 103.28 | | 60.70 | | 1,525.50 |
| Occupational Disease Insurance | 243.99 | 243.99 | 11.70 | | 11.70 | | | | 243.99 |
| Totals | $110,714.41 | $110,714.41 | $19,648.77 | $8,470.56 | $3,928.85 | $8,373.75 | $15,195.50 | $3,896.96 | $75,805.22 |

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DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

## SECOND INTERIM AUDIT CERTIFICATE

I have examined the records and transactions of:

Peru Mining Company
P. O. Box 309
Silver City, New Mexico

pertaining to Exploration Contract Idm-E67, Docket No. DMA 371X including Amendments 1 and 2, covering a project of exploration for lead, zinc, and copper, for the period July 18, 1951 to December 31, 1952.

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 per MF-104 | | $92,797.56 |
| Exceptions: | | |
| Per Audit | $8,470.56 | |
| Per Certifying Officer | 16,927.42 | 25,397.98 |
| Total Accepted Cost | | $67,399.58 |

The contract calls for a 50 per cent participation of exploration expenses by the United States Government. Therefore, payment to the Contractor by the Government in the amount of Thirty three thousand six hundred ninety-nine and 79/100 Dollars

-$33,699.79-

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.

March 20, 1953

Donald T. Finch

Donald T. Finch, Auditor

## I. INTRODUCTION

On February 23, 1953, a second interim audit (covering the period July 18, 1951 to December 31, 1952) was made of the records and accounts of operations pertaining to Contract No. Idm-E67, Docket No. DMA 371X, including Amendments No. 1 and 2 with the

Peru Mining Company
P. O. Box 309
Silver City, New Mexico

covering a project of exploration for lead, zinc and copper.

The accounting records under this contract are located in the company's office at its mine which is near Central, Grant's County, New Mexico.

Mr. John H. Soule and Mr. W. R. Hardwick, Mining Engineers, Tucson Office, assisted in the audit. During the course of the audit, Mr. Joseph H. Taylor, Vic-President and Mrs. Adah Fleming, Assistant Secretary were consulted when necessary. Their cooperation greatly facilitated the audit.

## II. GENERAL INFORMATION ON RECORDS

The accounting records for the exploration project are integrated through a modern and apparently comprehensive system with the company's "branch" accounts covering the company's exploration development and mining operations at the mine.

The source documents covering the costs of this project are recorded on Monthly Work Sheets that form the basis for preparation of the Monthly MF-104 reports. This audit, therefore, involved in general, a check of the source documents against the Monthly Work Sheets and reconciliation

with the MF-104 reports. All costs except some materials were recorded on an accrual basis.

## III. SCOPE OF AUDIT AND FINDINGS

The audit was limited to ascertaining the accuracy, propriety and validity of the costs as shown in the "Totals to Date" column of Form MF-104, Operator's Monthly Report and Voucher for the month of December, 1952. In view of the previous audit, covering the period July 18, 1951 to June 30, 1952, except as otherwise indicated this audit was restricted to the costs claimed by the Operator since that later date. The extent of the audit and the findings under each of the "Items of Cost" follow:

(1) Independent Contracts:

On January 24, 1952, a sub-contract for churn drilling between the operator and the Johnson Drilling Company was approved. This sub-contract provided for a maximum cost of $10.50 per foot. As of October 30, 1952, the operator had submitted total claims for churn drilling of 797.5 ft. at $10.50 which had been accepted in a total amount of $8,373.75. In November, 1952, the operator reported an additional 115 ft. of churn drilling and claimed additional costs of $16,927.42. This later cost figure represented, according to the operator, the final settlement with the sub-contractor. The certifying officer disallowed the item of $16,927.42, upon the recommendation of the supervising engineer as to the status of the churn drilling operations, and also because of the terms of the sub-contract, limiting the cost to $10.50 per foot. This disallowance is concurred with, and it is recommended that the

previously accepted total of $8,373.75 be disallowed pending the completion by the operator of the churn drill hole in accordance with the contract. Attached to and made a part of this report is a signed copy of a memorandum from Mr. W. H. King, Executive Officer, Field Team, Region IV, concurring in this disallowance. This memorandum is dated March 16, 1953 and is self-explanatory.

Also attached to this report is a copy of an itemized statement furnished the auditor by the Assistant Secretary of the Operator and captioned:

"Johnson Drilling Company
Churn Drill Hole
For Peru Mining Company."

The data in this statement was not audited because of the limitations in the sub-contract and is attached to this report for informatory purposes only. The following errors in the compilation of the statement are, however, noted:

| | |
|---|---|
| Error in sub-total page 7, $1072.33- adds as $1072.23 | .10 |
| Error in sub-total last page of report, $538.76, adds as $508.30 | $30.46 |
| Apparent overstatement sales taxes (2% of $30.56) | .61 |
| Total | $31.17 |

(2) Labor and Supervision, Technical Services:

All charges under the item of Labor were checked against the recordings on the Monthly Work Sheets. In order to verify the labor time, rates and charges on a sampling basis, 100% of the labor costs charged to the project for the month of July, 1952 and approximately 10% of August and November 1952, were checked back from the payrolls to the daily time cards approved by the foremen. A summary of acceptable

labor costs follows:

| | |
|---|---|
| Balance June 30, 1952 | $18,426.51 |
| For the period July 1 to December 31, 1952 | 8,226.25 |
| Total to Date December 31, 1952 | $26,652.76 |

Salaried personnel are paid from the Chicago office of the company. Charges for Supervision on the MF-104 forms submitted, are based on the schedule contained in Exhibit D of the contract and are outlined below:

| | | |
|---|---|---|
| Balance June 30, 1952 | | $2,289.85 |
| Period July 1 to December 31, 1952 | | |
| Superintendent-10% of Monthly Salary of $550.00 | $330.00 | |
| Foreman-10% of Monthly Salary of $450.00 | 270.00 | |
| Engineer-50% of Monthly Salary of $325.00 | 975.00 | 1,575.00 |
| Total to Date December 31, 1952 | | $3,864.85 |

Charges for Technical Services were for a Consultant Geologist, Exhibit D of the contract provides for a maximum rate of 20% of a Monthly salary of $700.00 or $140.00 per month. Charges during the period July 1 to December 31, 1952 for this item averaged $110.00 per month and were based on time devoted to the project as evidenced by invoices. The accepted total to date for geological services amounted to $1928.00 as of December 31, 1952.

The charges for both Supervision and Geological Services were discussed with the Supervising Engineer, and the Executive Officer. They are considered reasonable.

(3) Operating Materials and Supplies:

All charges against this category were checked against the Monthly Work sheets. Mr. Soule, Mining Engineer examined all requisitions for materials and supplies to determine the propriety of the items charged, the reasonableness of cost and the necessity of the items to the project.

Test checks were made of the stock record cards maintained by the storekeeper. Purchases were test checked for computations, unit prices and quantities. Materials are charged out of stores to the project on an average unit price basis. The operator had complied with the recommendation in the previous audit concerning the segregation of previous charges for pipe and track formerly charged to "Other Supplies."

The acceptable costs for materials and supplies are tabulated below:

| | Balance 6/30/52 | July 1 to Dec.31,1952 | Total to Date-12/31/52 |
|---|---|---|---|
| Explosives | $4,554.97 | $1,986.07 | $6,541.04 |
| Pipe | 2,009.60 | 715.85 | 2,725.45 |
| Track | 1,437.19 | 266.26 | 1,703.45 |
| Other: | 1,937.88 | | |
| Electric Wire & Mine Supplies | | $ 533.19 | |
| Hose | | 231.16 | |
| Small Tools | | 31.23 | |
| Drill Bits | | 280.00 | |
| Drill Steel | | 120.00 | |
| Vent Tube | | 153.23 | |
| Miscellaneous | | 69.44 | $3,356.13 |

The foregoing tabulation reflects minor charges in distribution.

(4) Power

Electric Power is furnished by the Community Public Service Company. All monthly power invoices were examined for the period July 1 to December 31, 1952. During the previous audit, it was determined that metered horse power demand had not been increased by the exploration project. Also, during

that audit, a theoretical allocation of electric power to the project was developed with the assistance of Mr. Soule, Mining Engineer. The following tabulation reflects a recomputation of power costs, July 1 to December 31, 1952, based on the lowest applicable minimum rate for KWH energy consumed. Allocation to the project was on the basis of average daily consumption of electric energy for pumping of 698 KWH per calendar day and of 622 KWH per days worked for other exploration work, such as air compression, pro rata portion of hoisting, ventilation, locomotive battery charging and Miscellaneous.

| | July | August | September | October | November | December |
|---|---|---|---|---|---|---|
| Calendar Days | 31 | 31 | 30 | 31 | 30 | 31 |
| Days Worked | 22 | 21 | 21 | 18 | 19 | 20 |
| Electric Energy Consumed | | | | | | |
| Pumping: 698 KWH per day× Calendar days | 21638 | 21638 | 20940 | 21638 | 20940 | 21638 |
| Drifting: 622 KWH per day× days Worked | 13684 | 13062 | 13062 | 11196 | 11818 | 12440 |
| Total KWH Consumed | 35322 | 34700 | 34002 | 32834 | 32758 | 34078 |
| Electrical Energy at Lowest Applicable Minimum Rate | | | | | | |
| KWH at 9.20 Mills | 35322 | 34700 | 24319 | | | 14780 |
| KWH at 8.05 Mills | | | 9683 | 32834 | 32758 | 12600 |
| Cost of Electrical Energy | $324.96 | $319.24 | $223.73<br>77.95 | $264.31 | $263.70 | $135.98<br>101.43 |
| Total | $324.96 | $319.24 | $301.68 | $264.31 | $263.70 | $237.41 |
| Add 2% Tax | $ 6.50 | $ 6.38 | $ 6.03 | $ 5.29 | $ 5.27 | $ 4.75 |
| Total Acceptable Cost of Electric Energy | $331.46 | $325.62 | $307.71 | $269.60 | $268.97 | $242.16 |

Total cost of Electric Energy July 1 to December 31, 1952------$1745.52
Total Claimed on MF-104s, July 1 to December 31, 1952---------- 1842.33
Excess Charge for Electric Energy Disallowed $ 96.81

The Operator had adjusted its records to reflect the disallowance

for excess power charges reported in the previous audit report. The acceptable power costs as of December 31, 1952 are summarized as follows:

| Adjusted Balance | Claimed 7/1 to 12/31/52 | Disallowed 7/1 to 12/31 1952 | Accepted Total to Date 12/31/52 |
|---|---|---|---|
| $2,908.68 | $1,842.33 | $ 96.81 | $4,654.20 |

(5) Operating Equipment

Purchased

During the period July 1 to December 31, 1952, there were no purchases of Equipment. The charges to this account during the period were on a Supplemental MF-104 for July 1952, and were for unclaimed balances on the purchase price of the Jumbo Drill and mine car wheels acquired prior to June 30, 1952. The invoices applicable to these charges were examined during the previous audit. Purchases to Date consist of the following Equipment:

| | |
|---|---|
| 1 DJ B-2 Two Drill Boom Jumbo with Power Feed Shell | $4,105.15 |
| 4 DA 30 Power Feed Drifters | 3,860.00 |
| 20 Mine Cars, complete | 5,024.70 |
| Total to Date December 31, 1952 | $12,989.85 |

(6) Miscellaneous

Repairs to Equipment

All charges for repairs to equipment for the period July 1 to December 31, 1952 were from "Orders on the Storekeeper" and were examined by Mr. Soule, Mining Engineer, for nature, reasonableness of cost, and necessity. Monthly totals were checked to the applicable MF-104. Acceptable charges for Repairs to Equipment are as follows:

| | |
|---|---|
| Balance June 30, 1952 | None |
| Period July 1 to Dec. 31, 1952 | $557.49 |
| Total to Date Dec. 31, 1952 | $557.49 |

Charges during the period July 1 to December 31, 1952 for payroll taxes, public liability insurance, workmen's compensation insurance and occupational disease insurance were confirmed by applying the rates in effect as shown by the operator's files to the applicable payrolls. It was determined that payroll taxes did not include charges for exempt salaries and wages.

The rates which the operator's files indicated to be in effect are as follows:

Payroll Taxes

| | |
|---|---|
| Federal Old Age Benefits | 1.5% |
| Federal Unemployment | 0.3% |
| New Mexico State Unemployment | 1.8% |

Workmen's Compensation Insurance

July 1 to October 31, 1952 $4.766 per $100.00 of Payroll
Less Discount of 5.2%
November 1 to December 31, 1952 $7.02 per $100.00 of Payroll
Less Discount of 3.5%

Public Liability

5 cents per $100.00 of Payroll

Occupational Disease

July 1 to October 31, 1952 $0.812 per $100.00 of Payroll
Less Discount of 5.2%
November 1 to December 31, 1952 $0.777 per $100.00 of Payroll
Less Discount of 3.5%

## IV. CONCLUSIONS AND RECOMMENDATIONS

The totals to date shown on the MF-104A report for December 31, 1952 agree with the totals to date as claimed by the operator. The item of Drifting should be reduced from $54,506.54 to $54,409.73 to reflect the disallowance for excess power charge of $96.81. The item of $25,301.17 for churn

drilling should be eliminated to reflect the disallowance of this item.

This audit has disclosed that all cost, as charged to this project, with the exception of the disallowance itemized under:

(1) Independent Contracts
(4) Power

of the preceding section of this report, are reasonable and proper under the terms of the contract, including Exhibits A, C, and D as amended.

The adjustments between items of costs, as shown on the December, 1952 MF-104, the recommended disallowances and approved amounts are summarized as follows:

| | Totals to Date-MF-104 12/31/52 | Distribution Corrected | Disallowed by Certifying Officer | Disallowed by Audit | Allowed by Audit |
|---|---|---|---|---|---|
| Independent Contracts | | | | | |
| Churn Drilling | $25301.17 | $25301.17 | $16927.42 | $8373.75 | $ None |
| Labor & Supervision: | | | | | |
| Labor | 26652.76 | 26652.76 | | | $26652.76 |
| Supervision | 3864.85 | 3864.85 | | | 3864.85 |
| Technical Services | 1928.00 | 1928.00 | | | 1928.00 |
| Operating Mat.&Supp: | | | | | |
| Explosives | 6541.04 | 6541.04 | | | 6541.04 |
| Pipe | 2727.53 | 2725.45 | | | 2725.45 |
| Track | 1729.25 | 1703.45 | | | 1703.45 |
| Other | 3328.25 | 3356.13 | | | 3356.13 |
| Power | 4751.01 | 4751.01 | | 96.81 | 4654.20 |
| Operating Equipment: | | | | | |
| Purchased | 12989.85 | 12989.85 | | | 12989.85 |
| Miscellaneous: | | | | | |
| Repairs to Equip. | 557.49 | 557.49 | | | 557.49 |
| Payroll Taxes | 756.78 | 756.78 | | | 756.78 |
| Public Liability Insurance | 15.07 | 15.07 | | | 15.07 |
| Workmen's Comp.Ins. | 1422.22 | 1422.22 | | | 1422.22 |
| Occupational Disease Insurance | 232.29 | 232.29 | | | 232.29 |
| | $92797.56 | $92797.56 | $16927.42 | $8470.56 | $67399.58 |

At the conclusion of the audit, the findings, except the item of churn drilling disallowed, were discussed with Mrs. Adah Fleming, Assistant Secretary. It was not feasible to discuss the item of churn drilling at the time of the audit, and prior to a conference with the Executive Officer of Region IV.

March 20, 1953

Donald T. Finch

Donald T. Finch
Auditor

224 New Customhouse
Denver 2, Colorado

March 16, 1953

Memorandum

To: Donald T. Finch, Auditor, Region IV

From: Executive Officer, Field Team, Region IV

Subject: Churn Drilling - Peru Mining Co., Exploration Project Contract Ism-E67

Reference is made to conference March 9, 1953 concerning the following situation:

(1) The Exploration Contract authorizes churn drilling for an air shaft starting at about 12" size and ending at about 9" to connect with a drift on the 625' level of the Kearney mine.

(2) A sub-contract dated December 5, 1951 between the operator and the Johnsen Drilling Company providing for this churn drilling at a maximum rate of $10.50 per foot was approved on January 24, 1952.

(3) It is reported that at the present time the churn drill hole has a total depth of 912.5 feet but that between 242.5 feet and 331.5 feet of the lower portion is only 6" size. Also the hole bottom is not connected with the drift.

(4) The operator has made a final settlement with the sub-contractor. The following tabulation reflects the present status of claimed costs:

| | |
|---|---|
| Period December 1, 1951 to October 31, 1952 | |
| 797.5 ft. at 10.50 | $8,373.75 |
| November, 1952 | |
| 115 ft. based on final settlement with sub-contractor | 16,927.42 |
| Total to Date | $25,301.17 |
| Disallowance by Finance Officer | 16,927.42 |
| Accepted Balance to Date | $ 8,373.75 |

(5) The operator has currently recessed both mining and exploration operations.

(6) At the present time none of this churn drilling is acceptable from an engineering standpoint.

(7) I concur with your recommendation that the balance of $8,373.75 of claimed cost should be disallowed on a suspense basis pending the completion by the operator of a satisfactory borehole connected with the drift in accordance with the contract.

W. H. KING

W. H. King

JFS:es

cc: Contract
Chron.
Storms
Koschmann (2)
Distribution
for Audit Report (9)

JOHNSON DRILLING COMPANY

CHURN DRILL HOLE

FOR PERU MINING COMPANY

| | | | Month | To Date |
|---|---|---|---|---|
| December 1951: | | | | |
| 12-27-51 | Car Expense | $ 8.75 | | |
| 12-30-51 | Moving Expense, gas, oil | 18.75 | | |
| | Labor Moving | 36.00 | | |
| 12-31-51 | Labor on Trucks | 14.00 | | |
| 12-30-51 | Road Expense, gas & eats | 7.53 | | |
| 12-31-51 | Gas & oil for moving | 21.00 | 106.03 | |
| January 1952: | | | | |
| 1-3-52 | Gas & material for bldg. | 165.37 | | |
| 1-3-52 | Gas & oil for rig | 33.35 | | |
| 1-3-52 | Butane | 7.80 | | |
| 1-3-52 | Iron at Cosgrove's | 7.74 | | |
| 1-4-52 | Oxy & acet. | 10.20 | | |
| 1-5-52 | John R. Johnson Wages | 75.00 | | |
| 1-5-52 | Travel expense | 3.00 | | |
| 1-5-52 | Joe Baca Wages | 35.50 | | |
| 1-2-52 | Gas & Oil for Moving | 11.00 | | |
| 1-8-52 | Bayard Builders | 3.21 | | |
| 1-8-52 | Butane for rig | 19.58 | | |
| 1-11-52 | Travel Expense to Pueblo | 100.00 | | |
| 1-11-52 | Drill Tools | 389.43 | | |
| 1-5-52 | William J. Wages | 75.00 | | |
| 1-12-52 | Gas & Oil to Pueblo | 10.81 | | |
| 1-15-52 | Gas & oil | 5.20 | | |
| 1-15-52 | Telephone call | 1.01 | | |
| 1-15-52 | Welding Lens | .75 | | |
| 1-11-52 | Joe Baca Wages | 46.50 | | |
| 1-19-52 | Geo. Doolittle Wages | 38.50 | | |
| 1-16-52 | Gas & oil | 18.23 | | |
| 1-17-52 | Camp Supplies | 7.14 | | |
| 1-16-52 | Travel Expense | 10.00 | | |
| 1-18-52 | Oil | 4.59 | | |
| 1-10-52 | Trip after Rig Supplies | 20.00 | | |
| 1-16-52 | Oxy & acetylene | 12.00 | | |
| 1-9-52 | Gas & oil 28 gas 2 qt oil | 7.80 | | |
| 1-18-52 | Gas & oil | 7.31 | | |
| 1-18-52 | Camp Supplies | 2.20 | | |
| 1-16-52 | Drill Tools | 119.03 | | |
| 1-24-52 | Credit Card Charges | 27.18 | | |
| 1-19-52 | Geo. Doolittle Wages | 67.75 | | |
| 1-18-52 | James H. Johnson Wages | 76.87 | | |
| 1-18-52 | Joe Baca Wages | 37.25 | | |
| 1-11-52 | John R. Johnson Wages | 59.25 | | |
| 1-11-52 | W. W. Johnson, Jr. Wages | 73.50 | | |
| 1-18-52 | W. W. John, Jr. Wages | 82.50 | | |
| 1-18-52 | John R. Johnson Wages | 68.25 | | |

| | | | Month | To Date |
|---|---|---|---|---|
| 1-21-52 | Radiator for rig | $20.00 | | |
| 1-21-52 | Car Parts Depot Rig Supplies | 2.31 | | |
| 1-21-52 | Silver Auto Supply Rig Supplies | 13.02 | | |
| 1-21-52 | Rig repairs | 8.00 | | |
| 1-22-52 | Water Pump for rig | 19.47 | | |
| 1-24-52 | Gas & oil for rig | 18.23 | | |
| 1-24-52 | Welding Supplies | 20.75 | | |
| 1-19-52 | Freight on Tools | 18.22 | | |
| 1-19-52 | Camp Supplies | 4.00 | | |
| 1-25-52 | Gas & oil for Pickup | 2.82 | | |
| 1-25-52 | James Johnson Wages | 60.37 | | |
| 1-25-52 | Joe B. Baca Wages | 50.25 | | |
| 1-25-52 | John R. Johnson Wages | 73.50 | | |
| 1-25-52 | Geo. Doolittle Wages | 41.00 | | |
| 1-26-52 | Telephone Calls | 2.90 | | |
| 1-27-52 | Gas 10 gal. 2.90 Tire Repair Pickup 1.25 | 4.15 | | |
| 1-18-52 | Gas & oil Pickup | 2.66 | | |
| 1-28-52 | Gas & oil for car | 5.67 | | |
| 1-27-52 | Telephone Call | 1.03 | | |
| 1-26-52 | Gas & oil for rig | 40.90 | | |
| 1-30-52 | Walter Johnson Salary 1 month | 300.00 | | |
| 1-30-52 | William W. Johnson Wages to Jan. 25 | 61.87 | | |
| 1-30-52 | Gas for Pickup | 3.20 | | |
| 1-30-52 | Telephone for Tools | 2.15 | 2,516.27 | 2,622.30 |
| February 1952: | | | | |
| 2-1-52 | William Johnson | 70.87 | | |
| 2-1-52 | James Johnson | 72.37 | | |
| | John R. Johnson | 65.25 | | |
| | George Doolittle | 51.50 | | |
| 2-1-52 | Repairs - Richard Auto Works | 2.00 | | |
| 2-1-52 | Gas, oil, Tire Repair Cr. Cards | 8.95 | | |
| 2-4-52 | 39 ft. 14" Casing | 188.00 | | |
| 2-8-52 | W. W. Johnson, Jr. Wages | 60.75 | | |
| | John R. Johnson Wages | 63.00 | | |
| | James Johnson Wages | 60.00 | | |
| 2-8-52 | George Doolittle | 7.50 | | |
| 2-5-52 | Gas & oil Pickup | 6.40 | | |
| 2-5-52 | Telephone | 4.00 | | |
| 2-5-52 | Gas & oil for car | 5.30 | | |
| 2-1-52 | Cosgrove's | 3.20 | | |
| 2-8-52 | Repairs Truck | 2.75 | | |
| 2-4-52 | Freight on Tools | 11.97 | | |
| 2-15-52 | Butane Account | 100.25 | | |
| 2-11-52 | Zork Hdwe. Cable | 156.10 | | |
| 2-9-52 | Freight on Engine | 2.27 | | |
| 2-11-52 | Tire Repair | 1.25 | | |

| | | | Month | To Date |
|---|---|---|---|---|
| 2-14-52 | Gas & oil for Pickup | 4.80 | | |
| 2-15-52 | Gas & oil for Pickup | 5.00 | | |
| 2-13-52 | Gas & oil for Pickup | 2.35 | | |
| 2-13-52 | William Johnson Wages | 76.50 | | |
| 2-15-52 | Gas for Pickup | 2.44 | | |
| 2-16-52 | John Thomas Wages | 48.00 | | |
| 2-16-52 | James Johnson Wages | 65.25 | | |
| 2-16-52 | John R. Johnson Wages | 65.25 | | |
| 2-15-52 | H. L. Barnett Acct. Rig & Welding Supplies | 200.00 | | |
| 2-11-52 | Gas & oil car | 4.23 | | |
| 2-15-52 | Truck Repair | 1.50 | | |
| 2-26-52 | Gasoline Conoco | 27.03 | | |
| 2-21-52 | Oxygen | 5.75 | | |
| 2-16-52 | Car Expense | 4.47 | | |
| 2-22-52 | John Thomas Wages | 61.87 | | |
| 2-22-52 | John R. Johnson | 72.00 | | |
| 2-22-52 | James H. Johnson | 61.87 | | |
| 2-22-52 | William Johnson | 60.00 | | |
| 2-22-52 | Repairs on Dodge Pickup | 73.50 | | |
| 2-22-52 | Vibrogel 75 lbs. | 22.50 | | |
| 2-22-52 | Elect. Caps 10-60 ft. | 15.00 | | |
| 2-23-52 | Time Cards | 9.35 | | |
| 2-24-52 | Elect. Caps 5-8-5-60 | 16.50 | | |
| 2-29-52 | Flashlight Batteries | 1.06 | | |
| 2-25-52 | Pickup Repairs Chev. | 39.68 | | |
| 2-29-52 | John R. Johnson | 75.75 | | |
| 2-29-52 | Walter Johnson 1 Month | 300.00 | | |
| 2-29-52 | William Johnson | 62.25 | | |
| 2-29-52 | James Johnson | 78.00 | | |
| 2-29-52 | John Thomas | 72.00 | | |
| 2-29-52 | E. R. Jordan | 57.00 | | |
| 2-29-52 | E. Cosgrove acct. | 84.02 | | |
| 2-29-52 | Oil for pickup | 1.30 | | |
| 2-29-52 | Gas & oil | 5.60 | | |
| 2-18-52 | Gas for pickup | 2.44 | 2,627.94 | 5,250.24 |
| March 1952: | | | | |
| 3-7-52 | E. R. Jordan | 48.00 | | |
| 3-7-52 | John Thomas | 48.00 | | |
| 3-7-52 | John Johnson | 48.00 | | |
| 3-7-52 | James Johnson | 48.00 | | |
| 3-4-52 | Traveling Expense | 20.00 | | |
| 3-8-52 | Gas for pickup | 3.00 | | |
| 3-8-52 | Gas for Car & pickup | 9.33 | | |
| 3-9-52 | Oxygen 2 Drums | 10.20 | | |
| 3-19-52 | Kennecott Bill on Bits | 95.15 | | |
| 3-16-52 | H. L. Barnett Co. acct. | 157.46 | | |
| 3-19-52 | E. Cosgrove Acct. | 84.02 | | |
| 3-19-52 | Telephone acct. | 9.00 | | |

| | | | Month | To Date |
|---|---|---|---|---|
| 3-14-52 | John R. Johnson Wages | 67.50 | | |
| 3-14-52 | E. R. Jordan Wages | 63.75 | | |
| 3-14-52 | John Thomas Wages | 57.00 | | |
| 3-14-52 | James H. Johnson | 64.50 | | |
| 3-19-52 | Repairs on Chev. Pickup | 75.00 | | |
| 3-21-52 | John R. Johnson | 45.75 | | |
| 3-21-52 | James Johnson | 53.25 | | |
| 3-21-52 | John Thomas | 31.50 | | |
| 3-21-52 | E. R. Jordan | 49.50 | | |
| 3-21-52 | Gas for pickup | 3.63 | | |
| 3-24-52 | Oxygen & acetylene | 15.50 | | |
| 3-27-52 | John R. Johnson | 45.75 | | |
| 3-28-52 | E. R. Jordan | 81.75 | | |
| 3-28-52 | James H. Johnson | 82.50 | 1,317.04 | 6,567.28 |
| April 1952: | | | | |
| 4-4-52 | G. E. Morris | 56.25 | | |
| 4-4-52 | E. R. Jordan | 61.50 | | |
| 4-4-52 | James H. Johnson | 63.75 | | |
| 4-1-52 | Walter Johnson | 300.00 | | |
| 3-10-52 | Gas & oil for rig | 27.28 | | |
| 4-1-52 | Gas, oil & grease for rig | 28.92 | | |
| 4-1-52 | Gas & oil acct. | 39.70 | | |
| 3-16-52 | Credit Card Charge for car | 4.75 | | |
| 4-5-52 | Butane acct. | 203.59 | | |
| 3-24-52 | Oxy. & acetylene | 15.60 | | |
| 4-5-52 | Car repairs | 24.60 | | |
| 4-11-52 | E. R. Jordan | 77.63 | | |
| 4-11-52 | G. E. Morris | 52.50 | | |
| 4-11-52 | James H. Johnson | 80.63 | | |
| 4-8-52 | Gasoline pickup | 3.87 | | |
| 4-9-52 | Oxygen & acet. | 15.75 | | |
| 4-11-52 | Gasoline for welder | 27.28 | | |
| 4-2-52 | Grease for rig | 3.82 | | |
| 3-26-52 | John R. Johnson Wages | 33.00 | | |
| 4-18-52 | E. R. Jordan | 51.75 | | |
| 4-18-52 | James H. Johnson | 51.75 | | |
| 4-18-52 | G. E. MOrris | 84.00 | | |
| 4-25-52 | John Thomas | 48.00 | | |
| 4-25-52 | E. R. Jordan | 64.12 | | |
| 4-25-52 | James H. Johnson | 64.12 | | |
| 4-25-52 | G. E. Morris | 58.88 | | |
| 4-13-52 | Tire Repair | 1.25 | | |
| 4-16-52 | Oxy. & acetylene | 15.95 | | |
| 4-19-52 | Oxygen & acetylene | 10.15 | | |
| 4-20-52 | Iron | 11.00 | | |
| 4-24-52 | Iron for stem | 60.00 | | |
| 4-12-52 | Gas for welder | 27.28 | | |
| 4-17-52 | Telephone acct. | 9.00 | | |
| 4-25-52 | Credit Card Tickets to Date | 22.16 | | |

| | | | Month | To Date |
|---|---|---|---|---|
| 3-31-52 | Darbyshire Machine Work on Drilling Tools | 73.00 | | |
| 4-21-52 | Gas for pickup | 4.27 | | |
| 4-25-52 | Oxygen & acetylene | 27.35 | | |
| 4-28-52 | Rig Repairs | 11.13 | | |
| 4-30-52 | Gas Credit Card Car | 4.80 | | |
| 4-30-52 | Tire for car | 27.77 | | |
| 4-30-52 | Walter Johnson April | 300.00 | 2,148.15 | 8,715.43 |
| May 1952: | | | | |
| 5-2-52 | John Thomas Wages | 115.50 | | |
| | E. R. Jordan | 84.00 | | |
| | James H. Johnson | 85.50 | | |
| | Gerald Morris | 114.00 | | |
| 5-2-52 | Gas & oil for rig | 25.09 | | |
| 5-2-52 | Oxy & acet. | 8.16 | | |
| 5-5-52 | Repairs & gas & oil car | 15.64 | | |
| 5-7-52 | Credit Card Charges Pickup | 17.37 | | |
| 5-12-52 | H. L. Barnett on acct. | 160.00 | | |
| 5-12-52 | Ray Burchfield rig repairs | 6.45 | | |
| 5-12-52 | Silver Auto Parts Rig Repairs | 1.36 | | |
| 5-10-52 | Car Serviced | 11.20 | | |
| 5-2-52 | Traveling Expenses | 25.00 | | |
| 4-30-52 | Employers Soc. Sec. | 59.00 | | |
| 4-30-52 | N. M. Employment Ins. | 11.77 | | |
| 4-30-52 | Payroll Insurance for 1st quarter on Peru Job $7.91 per $100.00 payroll. Payroll was $3,924.72 | 309.44 | | |
| 5-16-52 | E. R. Jordan Wages 1 to 15 | 155.25 | | |
| 5-16-52 | G. E. Morris Wages | 155.25 | | |
| 5-16-52 | John Thomas Wages | 154.37 | | |
| 5-16-52 | James H. Johnson | 155.25 | | |
| 5-3-52 | Freight on Bit | 17.01 | | |
| 5-16-52 | Freight on Stem | 19.44 | | |
| 5-16-52 | New Drill Stem | 167.00 | | |
| 5-26-52 | 12" Bit | 102.50 | | |
| 5-27-52 | Credit Card Charges | 14.48 | | |
| 5-22-52 | Oxygen 3 Drums | 15.55 | | |
| 5-17-52 | New V Belts | 45.75 | | |
| 5-24-52 | Gas for Welder (Station) | 3.30 | | |
| 5-31-52 | Butane acct. | 209.79 | | |
| 5-30-52 | John Thomas Wages | 141.00 | | |
| 5-31-52 | Walter Johnson | 300.00 | | |
| 5-31-52 | Howard Mountain | 67.50 | | |
| 5-31-52 | G. E. Morris | 142.50 | | |
| 5-31-52 | James H. Johnson | 138.00 | | |
| 5-31-52 | E. R. Jordan | 141.00 | | |
| 5-27-52 | Gas for Welder | 27.28 | 3,221.70 | 11,937.13 |

| | | | Month | To Date |
|---|---|---|---|---|
| June 1952: | | | | |
| 6-5-52 | Telephone acct. | 19.62 | | |
| 6-10-52 | Cosgrove acct. | 29.05 | | |
| 6-9-52 | Gas & oil for car | 2.82 | | |
| 6-12-52 | Gas for car | 3.30 | | |
| 6-13-52 | Rig parts | 10.00 | | |
| 6-13-52 | Merrits Repairs | 48.28 | | |
| 6-14-52 | Gas for car | 4.70 | | |
| 6-13-52 | Gas for pickup | 4.42 | | |
| 5-28-52 | Car Parts Depot Rig Repairs | 6.43 | | |
| 5-24-52 | Repairs on Pickup | 2.05 | | |
| 6-11-52 | Pickup Repairs at Bill Snell Pontiac | 31.39 | | |
| 6-15-52 | G. E. Morris Wages | 135.75 | | |
| 6-16-52 | E. R. Jordan Wages | 151.50 | | |
| 6-17-52 | James H. Johnson | 126.00 | | |
| 6-17-52 | Clyde Jarbo Wages | 21.20 | | |
| 6-6-52 | Rig Repairs Merrits | 11.73 | | |
| 6-17-52 | Gas for car | 3.93 | | |
| 6-10-52 | Oxygen 2 Drums | 11.22 | | |
| 6-18-52 | Barnett Acct. | 411.72 | | |
| 6-5-52 | Gas for car | 4.80 | | |
| 6-2-52 | Gas for pickup | 4.35 | | |
| 5-28-52 | Gas for car | 4.25 | | |
| 5-26-52 | Gas for Welder | 27.28 | | |
| 6-1-52 | Gas for pickup | 3.07 | | |
| 6-9-52 | Gas for pickup | 1.30 | | |
| 6-24-52 | Gas & oil Conoco | 38.85 | | |
| 6-25-52 | Gas for car | 4.56 | | |
| 6-25-52 | Gas for pickup | 3.30 | | |
| 6-25-52 | Freight on Jars | 7.86 | | |
| 6-25-52 | Spang Jars | 279.50 | | |
| 6-30-52 | Walter Johnson | 300.00 | | |
| 6-30-52 | Clyde Jarbo | 103.50 | | |
| 6-30-52 | E. R. Jordan | 175.50 | | |
| 6-30-52 | Howard Mountain | 248.12 | | |
| 6-30-52 | James Johnson | 160.12 | | |
| 6-30-52 | Gas for car | 4.28 | | |
| 6-30-52 | Gas for pickup | 1.43 | | |
| 6-30-52 | Gerald E. Morris | 68.25 | | |
| 6-20-52 | Pickup Repairs | 16.00 | | |
| 6-30-52 | Barnetts Bal. on June acct. | 81.12 | | |
| 6-30-52 | Butane for June | 108.74 | 2,681.29 | 14,618.42 |

JOHNSON - CHURN DRILL HOLE



| | | | Month | To Date |
|---|---|---|---|---|
| July 1952: | | | | |
| 7-2-52 | Gas for car | 4.92 | | |
| 7-4-52 | 50 lb. W. R. Barnett Co. | 5.00 | | |
| 7-3-52 | Gas Pickup Dixie | 3.25 | | |
| 7-3-52 | Tire Rep. Pickup Dixie | .75 | | |
| 7-4-52 | Gas for car - Texaco at Deming | 5.55 | | |
| 7-4-52 | Cable at Cosgroves | 128.52 | | |
| 7-1-52 | Fuse - Cosgroves | 2.45 | | |
| 7-4-52 | Shaft for Stem - Deckerts | 40.80 | | |
| 7-4-52 | Cosgrove acct. for June | 21.98 | | |
| 7-6-52 | Gas for car for trip to job | 4.80 | | |
| 7-9-52 | Gas for pickup | 2.09 | | |
| 7-14-52 | Telephone acct. June | 7.87 | | |
| 7-15-52 | Gas for car & oil | 4.05 | | |
| 7-16-52 | Gas for pickup | 3.80 | | |
| 7-16-52 | Clyde Jarbo Wages | 126.25 | | |
| 7-16-52 | James Johnson | 151.50 | | |
| 7-16.52 | Howard Mountain | 144.75 | | |
| 7-16-52 | E. R. Jordan | 144.75 | | |
| 7-14-52 | Parts Burchfield | 2.04 | | |
| 7-14-52 | Parts Barnetts | .46 | | |
| 7-14-52 | Parts Barnetts | 7.28 | | |
| 7-14-52 | Gas for Welder Conoco | 27.53 | | |
| 7-12-52 | Parts - Barnetts | 1.12 | | |
| 7-11-52 | Ranite - Barnetts | 31.22 | | |
| 7-2-52 | Butane | 45.98 | | |
| 7-14-52 | Barnetts - Parts | 17.10 | | |
| 7-14-52 | Barnetts - Parts | .81 | | |
| 7-1-52 | Barnetts Weld. Rod | 63.65 | | |
| 3-5-52 | 7 lbs. #18 Annun. Wire | 6.15 | | |
| 3-27-52 | 30 lb. 60% Dynamite | 9.17 | | |
| 3-19-52 | 1 case 60% Dynamite | 9.17 | | |
| 3-4-52 | 1 bx. 60% Powder | 9.17 | | |
| 1-10-52 | 8 Elec. Caps 50 lbs. Pwd. | 10.79 | | |
| 6-14-52 | 1 bx. Powder | 9.17 | | |
| 6-16-52 | 1 bx. Powder | 9.17 | | |
| 6-29-52 | 1 bx. Powder | 9.17 | 1,072.33 | 15,690.75 |
| | Amount Paid | | | 12,750.00 |
| | Balance | | | $2,940.75 |

JOHNSON DRILLING COMPANY

CHURN DRILL HOLE

FOR PERU MINING COMPANY

| July 15 through July 31, 1952: | | | Month | Balance To Date |
|---|---|---|---|---|
| | | | | $2,940.75 |
| 7-17-52 | Parts at Barnett's | 4.25 | | |
| 7-18-52 | Tire Repair Bill Snell | .75 | | |
| 7-19-52 | Gas from Home Tank Pickup | 3.75 | | |
| 7-24-52 | Gas from Home Tank Pickup | 3.75 | | |
| 7-20-52 | Box for Stem | 20.00 | | |
| 7-24-52 | E. P. Welding Sup. | 6.63 | | |
| 7-25-52 | E. P. Welding Sup. | 11.99 | | |
| 7-25-52 | Texaco Gas for Car | 4.28 | | |
| 7-28-52 | Gas for Car Barnett's | 4.20 | | |
| 7-29-52 | Dynamite Cosgrove | 12.44 | | |
| 7-31-52 | Clyde Jarboe Wages | 154.37 | | |
| 7-31-52 | E. R. Jordan Wages | 149.87 | | |
| 7-31-52 | James Johnson Wages | 187.87 | | |
| 7-31-52 | Howard Mountain Wages | 149.87 | | |
| 7-26-52 | Cosgrove | 6.94 | | |
| 7-21-52 | 1 qt. oil Pickup | .35 | | |
| 7-31-52 | Barnett's | 6.10 | | |
| 7-17-52 | Butane | 47.41 | | |
| 7-31-52 | W. Johnson Wages | 200.00 | 974.82 | 3,915.57 |
| | Amount Paid through 7-31-52 | | | 2,000.00 |
| | Balance | | | $1,915.57 |

JOHNSON DRILLING COMPANY

CHURN DRILL HOLE

FOR PERU MINING COMPANY

| August 1 through August 31, 1952: | | | Month | Balance To Date |
|---|---|---|---|---|
| | | | | $1,915.57 |
| 7-31-52 | Gasoline-Conoco | $5.70 | | |
| 8-1-52 | Gasoline-Texaco | 3.20 | | |
| 8-2-52 | Martin's Motor-Repair on Chevrolet Pickup Generator | 7.69 | | |
| 8-2-52 | Bill Snell-Repairs on Pickup | 53.92 | | |
| 8-5-52 | E. Cosgrove's-Slyvanite Fuse | 3.26 | | |
| 8-9-52 | Thomas Foy Lumber Company | 1.65 | | |
| 8-9-52 | The Hardware Company | 4.90 | | |
| 8-10-52 | Rodman Supply Co.-Rope Socket | 75.00 | | |
| 8-10-52 | Gasoline-Bill's Texaco Station | 6.52 | | |
| 8-10-52 | Butte Radiator Shop-Rod & Radiator Repair | 16.32 | | |
| 8-13-52 | Telephone Account-July | 1.92 | | |
| 8-15-52 | Wm. H. Snell-Tire, Tube, Gas | 38.32 | | |
| 8-16-52 | James H. Johnson Wages | 145.88 | | |
| 8-16-52 | Clyde Jarboe Wages | 121.57 | | |
| 8-16-52 | Gasoline and Oil | 3.70 | | |
| 8-13-52 | Pin for stem from stock at yard | 20.00 | | |
| 8-15-52 | Walter Johnson's Wages | 100.00 | | |
| 8-7-52 | Welding Supplies | 13.26 | | |
| 8-6-52 | Butane Reliable Furniture Co. | 47.41 | | |
| 8-11-52 | Babbit & Belt Dressing-Barnetts | 21.17 | | |
| 8-1-52 | Gasoline for Welder and Oil | 32.33 | | |
| 8-1-52 | E. R. Jordan Wages | 142.50 | | |
| 8-1-52 | Howard Mountain Wages | 157.50 | $1,023.72 | $2,939.29 |
| | Amount Paid through 8-20-52 | | | 1,100.00 |
| | Balance | | | $1,839.29 |

JOHNSON DRILLING COMPANY

CHURN DRILL HOLE

FOR PERU MINING COMPANY

| September 1, 1952 through September 15, 1952: | | | Month | Balance to Date |
|---|---|---|---|---|
| | | | | $2,791.90 |
| 9-2-52 | Fleming Service-8.2 Gallons Gasoline | 2.46 | | |
| 9-3-52 | El Paso Welding Supply | 10.10 | | |
| 9-5-52 | Reliable Butane Store-Fuel for Rig | 42.27 | | |
| 9-9-52 | Bill Snell's Service-Tire for Pickup | 36.31 | | |
| 9-9-52 | H. L. Barnett Company-Gas & 50# Ranite | 36.72 | | |
| 9-9-52 | S. W. Pressey-1 Pin and 1 Box | 67.10 | | |
| 9-10-52 | Telephone Account for August | 2.79 | | |
| 9-10-52 | I. W. Lovelady-1 Bit | 60.00 | | |
| 9-10-52 | H. L. Barnett Company - Supplies | 5.35 | | |
| 9-12-52 | 1 Regular Bottome 5½" Sand Pump | 49.62 | | |
| 9-13-52 | Whitfield Trans. Co.-Frt. on Bit | 5.62 | | |
| 9-13-52 | Railway Express Co.-Frt. on Pin & Box | 3.77 | | |
| 9-15-52 | Walter Johnson's Wages | 100.00 | | |
| 9-16-52 | Freight on Sand Pump Bottom | 3.80 | | |
| 9-16-52 | Clyde Jarboe's Wages | 116.25 | | |
| 9-16-52 | Howard Mountain's Wages | 134.25 | | |
| 9-16-52 | E. R. Jordan's Wages | 137.25 | | |
| 9-16-52 | James H. Johnson's Wages | 116.25 | $929.91 | $3,721.81 |
| | Balance | | | $3,721.81 |

JOHNSON DRILLING COMPANY

CHURN DRILL HOLE

FOR PERU MINING COMPANY

| September 15, 1952 through September 30, 1952. | | | Month | Balance to Date |
|---|---|---|---|---|
| | | | | $3,721.81 |
| 9-16-52 | Valley Service Station-Gasoline | $4.41 | | |
| 9-18-52 | Fleming Service Station-Gas & Oil | 5.92 | | |
| 9-20-52 | Brake Fluid-Fleming Service Ctation | .80 | | |
| 9-24-52 | Central Service Station-Gas | 5.10 | | |
| 9-24-52 | Central Service Station-Gas | 3.85 | | |
| 9-30-52 | Telephone Account for September | 12.06 | | |
| 9 | H. L. Barnett Co.-Supplies | 1.64 | | |
| 9-23-52 | H. L. Barnett Co.-Supplies | 5.10 | | |
| 9-18-52 | Merritt Machine Shop-Shopwork | 12.49 | | |
| 9-18-52 | Continental Oil Co.-Gas for Welder | 29.90 | | |
| 9-19-52 | Reliable Furniture Store-Fuel for Rig | 47.12 | | |
| 9-27-52 | Gas for Pickup at Dixie | 1.92 | | |
| 9-29-52 | Gas for Welder-Continental Oil Co. | 31.05 | | |
| 9-29-52 | H. L. Barnett Co.-Battery for Welder | 18.95 | | |
| 9-30-52 | Clyde Jarboe's Wages | 156.37 | | |
| 9-30-52 | James H. Johnson's Wages | 154.87 | | |
| 9-30-52 | E. R. Jordan's Wages | 155.62 | | |
| 9-30-52 | J. D. Reave's Wages | 30.00 | | |
| 9-30-52 | Howard Mountain's Wages | 155.62 | | |
| 9-30-52 | Walter Johnson's Wages | 100.00 | | |
| 9-16-52 | Traveling Expense for W. Johnson | 25.00 | | |
| 9-30-52 | F.O.A.B. Taxes for Employees | 259.70 | | |
| 9-30-52 | Insurance on Employees | 684.72 | 1,902.21 | 5,624.02 |
| | Amount Paid through 9-30-52 | | | $2,700.00 |
| | Balance | | | $2,924.02 |

JOHNSON DRILLING COMPANY

CHURN DRILL HOLE

FOR PERU MINING COMPANY

| October 1, 1952 through October 15, 1952 | | | Month | Balance to Date |
|---|---|---|---|---|
| | | | | $2,924.02 |
| 10-1-52 | Mims Service Station-Gas & Oil | $5.05 | | |
| 10-5-52 | Fleming Service Station-Tire Repair | .90 | | |
| 10-4-52 | Mims Service Station-Grease job, gas & oil | 12.15 | | |
| 10-7-52 | Butte Radiator Shop-Radiator Repair | 8.00 | | |
| 10-11-52 | Central Service Station-Gas & Oil | 3.47 | | |
| 10-11-52 | H. L. Barnett Co.-Welding Rod | 30.60 | | |
| 10-10-52 | El Paso Welding Supply-Welding Rod | 2.90 | | |
| 10-13-52 | El Paso Welding Supply-Welding Rod | 20.91 | | |
| 9-8-52 | Valley Motor Supply-Motor Repairs | 37.69 | | |
| 10-9-52 | Continental Oil Co.-Gas for Rig | 1.97 | | |
| 10-4-52 | Reliable Furniture & Butane Co.-Fuel | 47.41 | | |
| 9-25-52 | H. L. Barnett Co.-Iron | 1.33 | | |
| 10-16-52 | Howard Mountain Wages | 175.50 | | |
| 10-15-52 | J. D. Reaves Wages | 30.00 | | |
| 10-16-52 | E. R. Jordan Wages | 175.50 | | |
| 10-16-52 | James H. Johnson Wages | 166.50 | | |
| 10-16-52 | Clyde Jarboe Wages | 166.50 | | |
| 10-16-52 | Walter Johnson Wages | 100.00 | | |
| 10-15-52 | Misc. Expense, Trace, Etc. | 16.50 | 1,002.88 | 3,926.90 |
| | Balance | | | 3,926.90 |

JOHNSON DRILLING COMPANY

CHURN DRILL HOLE

FOR PERU MINING COMPANY

| October 15, 1952 through October 31, 1952 | | | Month | Balance to date |
|---|---|---|---|---|
| | | | | $3,926.90 |
| 10-16-52 | Lakeview Service Station-Gasoline | 4.60 | | |
| 10-17-52 | Bill Snell-Replace Fuel Pump Parts | 20.00 | | |
| 10-22-52 | Butte Radiator Shop-Glass for Chev. Pickup | 10.74 | | |
| 10-19-52 | Central Service Station-Gas for Pickup | 1.69 | | |
| 10-19-52 | Camp Expense Cash Ticket | 3.96 | | |
| 10-29-52 | Telephone Account for October | 1.46 | | |
| 10-26-52 | Standard Oil Company-Gas for Car | 3.15 | | |
| 10-31-52 | James H. Johnson's Wages | 134.40 | | |
| 10-31-52 | Clyde Jarboe's Wages | 134.40 | | |
| 10-18-52 | Merritt Machine Shop-Turn Bit | 20.15 | | |
| 10-22-52 | Conoco Service-Gas for Welder | 27.28 | | |
| 10-17-52 | Reliable Furniture Co.-Butane | 42.56 | | |
| 10-21-52 | H. L. Barnett.-Supplies | 5.05 | | |
| 10-23-52 | H. L. Barnett Co.-Supplies | .62 | | |
| 10-31-52 | Walter Johnson's Wages | 100.00 | | |
| 10-31-52 | Howard Mountain's Wages | 172.50 | | |
| 10-31-52 | E. R. Jordan's Wages | 168.00 | | |
| 10-30-52 | Reliable Furniture Co.-Butane | 47.41 | | |
| 10-29-52 | Dixie-Gas for Car | 3.87 | | |
| 10-30-52 | Texaco-Gas for Car | 5.93 | | |
| 10-31-52 | Standard-Gas for Car | 5.66 | | |
| 10-24-52 | Tube | 1.89 | | |
| | | 915.32 | | |
| | 2% Sales Tax on Total Job | 18.31 | 933.63 | 4,860.53 |
| | Amount Paid through Oct. 31, 1952 | | | 3,500.00 |
| | Balance | | | 1,360.53 |

JOHNSON DRILLING COMPANY

CHURN DRILL HOLE

FOR PERU MINING COMPANY

| November 1, 1952 through November 15, 1952 | | | Month | Balance to date $1,360.53 |
|---|---|---|---|---|
| 11-4-52 | Repairing front end on car | $10.29 | | |
| 11-1-52 | Mims Central Service - Gas | 4.75 | | |
| 11-6-52 | Standard Oil, Deming - Gas | 4.60 | | |
| 11-6-52 | Continental Oil, Silver City - Gas & oil | 38.85 | | |
| 11-7-52 | Dixie Truck Terminal - Grease job - Pickup | 1.40 | | |
| 11-13-52 | Valley Auto Co., Hatch - Gas | 4.87 | | |
| 10-28-52 | H. L. Barnett - Bolts, screws, clamps | 1.17 | | |
| 11-1-52 | H. L. Barnett - Repair parts | 11.67 | | |
| 11-12-52 | Reliable Furniture Co. - Butane | 47.41 | | |
| 11-13-52 | H. L. Barnett Co. - Repair parts | 7.42 | | |
| 11-5-52 | H. L. Barnett Co. - Hose | .72 | | |
| 11-15-52 | H. L. Barnett Co. - Water cap | 1.77 | | |
| 11-11-52 | Emerick Motor Supply - Parts | 2.00 | | |
| 11-17-52 | James H. Johnson Wages | 118.50 | | |
| 11-17-52 | J. D. Reaves Wages | 30.00 | | |
| 11-17-52 | Clyde Jarboe Wages | 118.50 | | |
| 11-17-52 | E. R. Jordan Wages | 133.50 | | |
| 11-17-52 | Howard Mountain Wages | 135.00 | | |
| | Walter Johnson | 100.00 | | |
| | School Tax | 15.46 | | |
| | Payroll Insurance | 86.21 | | |
| | | 874.09 | | |
| | 2% Sales Tax on Total Job | 17.48 | 891.57 | $2,252.10 |
| | Balance | | | $2,252.10 |

JOHNSON DRILLING COMPANY

CHURN DRILL HOLE

FOR PERU MINING COMPANY

| November 16 through November 30, 1952: | | | Month | Balance to Date |
|---|---|---|---|---|
| 11-17-52 | Fleming Service Station-Gas & Oil | $3.65 | | |
| 11-17-52 | H. L. Barnett Company-50 lbs. Ranite | 30.00 | | |
| 11-18-52 | Groton's Ser. Station-Gas & oil | 6.00 | | |
| 11-18-52 | Merritt Mach. Shop-Bore out stem | 16.32 | | |
| 11-19-52 | Fleming Ser. Station-Gas | 4.02 | | |
| 11-25-52 | Dixie-Gas | 4.24 | | |
| 11-18-52 | Fleming Ser. Station-Gas | 6.23 | | |
| 11-27-52 | Fleming Serv. Station-Gas | .71 | | |
| 11-24-52 | H. L. Barnett Co. | 1.52 | | |
| 11-25-52 | Reliable Butane Store | 42.84 | | |
| 11-28-52 | Gas for Car | 4.52 | | |
| 11-28-52 | Gas for Car | 3.86 | | |
| 11-30-52 | E. R. Jordan's Wages | 60.37 | | |
| 11-30-52 | Howard Mountain's Wages | 60.37 | | |
| 11-30-52 | Walter Johnson's Wages | 100.00 | | |
| 11-30-52 | Clyde Jarboe's Wages | 66.75 | | |
| 11-30-52 | James Johnson's Wages | 66.00 | | |
| 11-30-52 | J. D. Reaves's Wages | 30.00 | 538.76 | |
| | Less Sales Tax Chg's on 10-31-52 and 11-15-52 | | 35.79 | |
| | | | 502.97 | 2,755.07 |
| | Amount Paid through 11-30-52 | | | 900.00 |
| | | | | 1,855.07 |
| | 2% Sales tax on total job of $24,805.07 | | | 496.10 |
| | | | | 2,351.17 |
| | Paid November 29, 1952 | | | 2,351.17 |
| | Balance | | | 00 |

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG 28 1952

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

## AUDIT CERTIFICATE

I have examined the records and transactions of:

PERU MINING COMPANY

P.O. BOX 309

Silver City, New Mexico

pertaining to Exploration Contract No. Idm-E-67, Docket No. DMA 371X, for the period of July 18, 1951 to June 30, 1952.

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

The Audit disclosed the following facts in regard to amount to be paid the Contractor:

| | |
|---|---|
| Total Cost as Billed by Contractor | $56,080.71 |
| Exceptions (See Audit Report for) | |
| (details ) | |
| During this Audit | 2,104.64 |
| Total Accepted Cost | $53,976.07 |

The contract calls for a fifty per cent participation of exploration expenses by the United States Government. Therefore, payment to the Contractor by the Government, in the amount of Twenty-Six Thousand nine hundred eighty-eight Dollars and 04/100

- $26,988.04 -

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.

Date: August 25, 1952

Donald T. Finch
Donald T. Finch
Auditor, Region IV

Peru Mining Company
Exploration Project
Contract Idm-E-67
Docket No. DMA 371X

## I. INTRODUCTION

An Audit was made on August 14, 1952 of Defense Minerals Exploration Contract No. E-67, Peru Mining Company. The records pertaining to the contract are in the mine office of the Peru Mining Company's Grant County Mine. The mine is located in the central mining district, Grant County, New Mexico, near the town of Central, New Mexico. Central is approximately 12 miles from Silver City, New Mexico and approximately 650 miles from Denver, Colorado. The audit covered the period of July 18, 1951 through June 30, 1952 of the contract that continues until July 18, 1953. Work on the project commenced on July 26, 1951. Mr. E. D. Talbert, Assistant Chief, Contract Administration and Audit Division, DMEA, and Mr. John H. Soule, Mining Engineer, Bureau of Mines, collaborated and assited in the audit. Mr. Joseph H. Taylor, Vice President and Mrs. Adah Fleming, Assistant Secretary were present and consulted when necessary.

## II. EXTENT AND SCOPE OF AUDIT

### Operating Equipment, Purchased

All invoices and cancelled checks for equipment were examined and compared with the exhibit attached to the Exploration Contract.

### Labor

All time cards for the month of June were checked, added and totals compared with the MF-104 form. Labor charges for other months were checked at random. Time cards are prepared daily by the shift boss. The payroll applicable to the project consists of atrackman, shovel operator, cager, mucker, and machine man at rates of pay authorized by amendment No. 1 to the contract. A machine man is paid at the rate of

5.70 per foot of advance while actually driving drift. This rate is also authorized by amendment No. 1. It was determined by inspection of the records, that man hours applicable to the project were approximately 31% of the Company's total labor man hours.

Supervision (Including Geological)

Salaried personnel are paid from the Chicago office of the company. No records of these payments are maintained in the mine office.

Charges for Supervision on the MF-104 forms submitted by the company were in accordance with Exhibit D of the contract as to rates and percentages. If the salary rates shown on Exhibit D are correct, approximately 21% of the company's cost of Supervision is being charged to the project. This 21% compares favorably with 31% supervision based on labor-man hours.

Supplies

The Mining Engineer reviewed all charges to the project for supplies for the period and determined that quantities and amounts were reasonable and necessary for the operations. The company maintains a modern stockkeeping system. Materials and supplies are withdrawn from stock on orders to the Storekeeper. Items are priced out on an average unit cost basis. No surcharge is added. "Supplies:-Other" includes pipe and track which the operator will segregate and identify on future MF-104 forms submitted.

A random check was made of Stock Record Cards, invoices and orders on the Storekeeper. This check involved the computation of extensions, unit prices and the quantities of receipts.

future MF-104 forms submitted. Charges for this item were in accordance with the provisions Exhibit D of the Exploration Contract. See also previous discussion of Supervision.

## III. FINDINGS

### Equipment Purchases

The purchase of 1 Jumbo at an approximate cost of $3800.00 and of 20 one-ton mine cars at an approximate cost of $4000.00 is authorized in Exhibit C of the Exploration Contract.

The Jumbo with power feed shell, cost, according to Ingersoll Rand Invoice No. 03-5518, dated November 18, 1951, $4105.15. This item was reported on the Operator's MF-104 for November 1951 as costing $3795.00 with the result the company did not claim $310.15 of the cost of the complete Jumbo.

The 20 one-ton mine cars cost, net of cash discounts, $5024.70, according to Hirsh Brothers Machinery Company's invoices #18038, dated 11-30-51 and #18038A.

These items were reported on the Operator's MF-104 for December, 1951 as costing $4000.00 with the result the company did not claim $1024.70 of the net cost of the complete mine cars.

The total net cost of the foregoing items was not included in the company's MF-104 forms because of an interpretation of the exploration contract prevalent at the time the equipment was purchased. This interpretation was, that the approximate costs of equipment purchased shown on Exhibit C of the Exploration Contract were the maximum allowable amounts which could be expended for such items.

Power

Exception is taken to overcharges included in the total to date on the Company's June, 1952 MF-104. These overcharges amount to $2104.64 and their computation is set forth on Schedule A attached to this report. The amount of Power Charges shown on the Operator's MF-104 forms submitted prior to June, 1952 are based on an estimated cost of Power of $4.08 per foot of Advance as shown in Exhibit C of the Exploration Contract. Power charges for June, 1952 are based on a computed cost of $4.03 per foot of Advance. The problem of determining an equitable allocation of power costs to the project is complicated by the fact that no test meters are maintained by the Operator. The Mining Engineer's report dated July 17, 1952 includes data showing the rated Horse power and hours of operation of equipment used for theproject. This data has been converted to theoretical consumption of KWH. From this information it is possible to determine the daily theoretical KWH consumption applicable to the project:

Applicable to Calendar Days in Month

Pumping: Daily Theoretical Consumption, 698.3KWH

Applicable to each day of Work on Project in Month

| | |
|---|---|
| Air Compression (Pro-rata portion ) | 244.1 KWH |
| Hoisting (Pro-rata Portion) | 87.5 KWH |
| Ventilation | 115.6 KWH |
| Locomotive Battery Charging | 29.8 KWH |
| Other: Lamp charging, Signals, Lights and Shop (Pro-rata portion) | 145. KWH |
| Total applicable per day of operation | 622. KWH |

The foregoing method of determining KWH consumption is theoretical but in the absence of a better procedure, is acceptable.

Costs of KWH consumed on the project, should be computed on the lowest applicable minimum rate and not on the average cost per KWH including total Horsepower Demand.

A review of the power bills received by the company for April, 1951 through June, 1952, revealed that Metered Demand horse power had not been increased by the project. Because of this fact, no allowance for Demand horse power charge has been included in the computations shown in Schedule A. The total to date for power shown on the June MF-104 should be reduced from $5013.32 to $2908.68.

The project records maintained by the Peru Mining Company are in very good condition and are adequate.

No further exceptions are taken, the costs being reasonable, proper and within the terms of the contract and amendments.

## IV. RECOMMENDATIONS

The Audit Certificate, prefacing this report, reflects the amount of the costs properly chargeable to this project through June 30, 1952.

SCHEDULE A

COMPUTATION OF EXCESS POWER CHARGES TO PROJECT

FOR THE PERIOD AUGUST 1, 1951 THROUGH JUNE 30, 1952

| | | | | |
|---|---|---|---|---|
| **1951** | | | | |
| **August** | | | | |
| Power Charge shown on MF-104 | | | $ 348.80 | |
| 16053 KWH at 7 mills | $112.37 | | | |
| 17982 KWH at 8 mills | 143.86 | | | |
| Total | | $256.23 | | |
| New Mexico 2% Sales Tax | | 5.12 | | |
| Total Allowable Power Cost | | | 261.35 | |
| Excess Power Cost: Exception | | | | $ 87.45 |
| **September** | | | | |
| Power Charge shown on MF-104 | | | 399.84 | |
| 707 KWH at 7 mills | 4.95 | | | |
| 32630 KWH at 8 mills | 261.04 | | | |
| Total | | 265.99 | | |
| New Mexico 2% Sales Tax | | 5.32 | | |
| Total Allowable Power Cost | | | 271.31 | |
| Excess Power Cost: Exception | | | | 128.53 |
| **October** | | | | |
| Power Charges shown on MF-104 | | | 648.72 | |
| 38599 KWH at 7 mills | | 270.19 | | |
| New Mexico 2% Sales Tax | | 5.40 | | |
| Total Allowable Power Cost | | | 275.59 | |
| Excess Power Cost: Exception | | | | 373.13 |
| **November** | | | | |
| Power Charges shown on MF-104 | | | 612.00 | |
| 37249 KWH at 7 mills | | 260.74 | | |
| New Mexico 2% Sales Tax | | 5.21 | | |
| Total Allowable Power Cost | | | 265.95 | |
| Excess Power Cost: Exception | | | | 346.05 |
| **December** | | | | |
| Power Charges shown on MF-104 | | | 640.56 | |
| 37295 KWH at7mills | | 261.07 | | |
| New Mexico 2% Sales Tax | | 5.22 | | |
| Total Allowable Cost | | | 266.29 | |
| Excess Power Cost: Exception | | | | 374.27 |
| **1952** | | | | |
| **January** (Note rate Increase) | | | | |
| Power Charges shown on MF-104 | | | 591.60 | |
| 39251 KWH at 8.05 mills | | 315.97 | | |
| New Mexico 2% Sales Tax | | 6.32 | | |
| Total Allowable Cost | | | 322.29 | |
| Excess Power Cost: Exception | | | | 269.31 |

SCHEDULE A (continued)

| | | | |
|---|---|---|---|
| **1952** | | | |
| **February** | | | |
| Power Charges shown on MF-104 | | $599.76 | |
| 33943 KWH at 8.05 mills | $273.24 | | |
| New Mexico 2% Sales Tax | 5.46 | | |
| Total Allowable Power Cost | | 278.70 | |
| Excess Power Cost: Exception | | | $ 321.06 |
| **March** | | | |
| Power Charges shown on MF-104 | | -0- | |
| 21647 KWH at 8.05 mills | 174.26 | | |
| New Mexico Sales Tax 2% | 3.49 | | |
| Total Allowable Power Cost | | 177.75 | |
| Allowable Power Costs not claimed | | | ( 177.75 ) |
| **April** | | | |
| Power Charges shown on MF-104 | | 191.76 | |
| 25513 KWH at 8.05 mills | 205.38 | | |
| New Mexico 2% Sales Tax | 4.11 | | |
| Total Allowable Power Cost | | 209.49 | |
| Allowable Power Costs not claimed | | | ( 17.73 ) |
| **May** | | | |
| Power Charges whon on MF-104 | | 269.28 | |
| 36643 KWH at 8.05 mills | 294.98 | | |
| New Mexico 2% Sales Tax | 5.90 | | |
| Total Allowable Power Costs | | 300.88 | |
| Allowable Power Costs Not Claimed | | | ( 31.60 ) |
| **June** | | | |
| Power Charges shown on MF-104 | | 711.00 | |
| 33989 KWH at 8.05 mills | 273.61 | | |
| New Mexico 2% Sales Tax | 5.47 | | |
| Total Allowable Power Costs | | 279.08 | |
| Excess Power Cost: Exception | | | 431.92 |
| Total Excess Power Cost: Exceptions for period of August 1, 1951 through June 30, 1952 | | | $2104.64 |

(.) equals red or contra figure.

MME Form 7
(10-58)

OFFICIAL FILE COPY

| Date | Surname | Code |
|---|---|---|
| 6/15 | [illegible] | 220 |
| 6/16 | [illegible] | 500 |
| | | 228 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

JUN 12 1959

Memorandum

To: Mr. Donald T. Finch, OME Auditor

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

Subject: Docket No. DMEA-371 (Lead-Zinc)
Peru Mining Company
Contract No. Idm-E67

Your Report of Royalty Review on the subject contract is acceptable and distribution of the regional copies is authorized.

EDTalbert/ama
June 12, 1959

Copy to: Docket
Director's Reading File
CA & A Division

43683

JUN 11 1959
O.M.E.

225

**OFFICE OF STRATEGIC EXPLORATION**
**CONTRACT ADMINISTRATION AND AUDIT DIVISION**

**REPORT OF ROYALTY REVIEW**

I have reviewed the files of the Executive Officer, OSE Field Team, Region III, Denver, Colorado pertaining to Contract Nbs-287, Docket No. DSA 371X, dated July 18, 1951, with

**Rare Minerals Company**
**[illegible]**
**New York, New York**

for the purpose of determining the amount of royalties due the U. S. Government on the sales of lead-zinc and copper, from property referred to as Kearney Mine, located in Grant County, New Mexico, during the period July 18, 1951 to June 9, 1959.

A Pseudo Certification was effected by Amendment No. 7 to the contract and accordingly royalty is payable on all minerals mined or produced from the land described in Article 2 of the contract for a maximum period of 17 years from the date of the contract. A final audit dated July 18, 1957, indicated accepted costs under the exploration contract amounting to $75,805.22, with the Government's contribution on a 50 percent basis being $37,902.61.

No royalty has been paid to the Government to date in connection with this contract.

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

(a) According to the Field Team's Semi-Annual Report of certified project for the period July 1, 1957 to December 31, 1957, operation ceased about May 7, 1957; no ore has been shipped since July 18, 1951. (the date of the exploration contract). Subsequent Semi-Annual Reports of the Field Team during the period January 1, 1958 to December 31, 1958 indicate the property is inactive and no operations or ore shipments are anticipated in 1959.

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

June 9, 1959

Donald T. Finch

Donald T. Finch
OSE Auditor

Docket copy

EXPLORATION PROJECT CONTRACT
PERU MINING COMPANY
DOCKET NO. DMA-371

AMENDMENT NO. 7

It is agreed this 23rd 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 Peru Mining Company, that Exploration Project Contract Idm-E67 (Docket No. DMA-371), dated July 18, 1951, as amended, is further amended, effective as of February 1, 1954, as follows:

In Amendment No. 4:

(a) In paragraph numbered 1, the completion period is further extended to December 18, 1956.

(b) In paragraph numbered 2, the period for current suspension is further extended to cover the period November 1, 1953, to November 1, 1955.

(c) In paragraph numbered 3, the entire period of suspension is further extended to cover the period from January 29, 1953, to November 1, 1955.

(d) Paragraph 4 is deleted and a new paragraph 4 is added, reading as follows:

> Annex I, attached to and made a part of Amendment No. 7 of the contract, is substituted for the provisions of Article 14 of the contract form.

(e) Provision (c) of paragraph 5 is deleted, and a new provision 5(c) is added reading as follows:

> 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 the royalty on production provided for in the contract, in the same manner and amount, and for the same period, as if a

certification of discovery or development had been made, such certification being hereby waived.

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. Mitchell Dow
Administrator, Defense Minerals Exploration Administration

Return "Appd. Sol. Off."
Fallert
Selfridge
Fleming

PERU MINING COMPANY

By Jos. H. Taylor
Vice President

Attest:
Adah V. Fleming
Assistant Secretary

**EXPLORATION PROJECT CONTRACT**
**PERU MINING COMPANY**
**DOCKET NO. DMA-371**

RECEIVED
JUL 1 9

ANNEX I

The following provisions are in lieu of Article 14:

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

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

c. Basis for computation.--The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight paid by the buyer to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling or assaying, or transportation, performed or paid by the

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

* The period "seventeen years" is substituted for the period "ten years."

Operator or by anyone other than the buyer, are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent) applied to the raw ore or other production after it is extracted from the ground, to put it into a commercially marketable form; excluding fabricating or manufacturing.

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

e. Percentages of royalty.--The percentages of the Government's royalty shall be as follows:

> One and one-half ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.
>
> (For instance: the royalty on an amount of five dollars ($5.00) per ton, would be one and one-half ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

Docket Copy

EXPLORATION PROJECT CONTRACT
PERU MINING COMPANY
DOCKET NO. DMA-371

AMENDMENT NO. 6

It is agreed this 10th day of January, 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Peru Mining Company, that Exploration Project Contract Idm-E67 (Docket No. DMA-371), dated July 18, 1951, as amended, is further amended, effective as of February 1, 1954, as follows:

In Amendment No. 4:

(a) In paragraph numbered 1, the completion period of 4½ years from July 18, 1951, fixed by Amendment No. 5, is further extended to 5 years from July 18, 1951, or to July 18, 1956.

(b) In paragraph numbered 2, the period for current suspension of operations, fixed by Amendment No. 5 at 12 months from November 1, 1953, is further extended to June 1, 1955.

(c) In paragraph numbered 3, the entire period of suspension, fixed by Amendment No. 5 as from January 29, 1953, to November 1, 1954, is extended to June 1, 1955.

(d) In paragraph numbered 5, the date November 1, 1954, fixed by Amendment No. 5 as the end of the period of suspension of operations is replaced by the date June 1, 1955.

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. Whitehurst
Administrator, Defense Minerals Exploration Administration

PERU MINING COMPANY

By Jos. H. Taylor
Vice President

ATTEST:

Gerald D. Fleming
Assistant Secretary

Appd. Sol. Off.

Docket copy

EXPLORATION PROJECT CONTRACT
PERU MINING COMPANY
DOCKET NO. DMA-371

AMENDMENT NO. 6

It is agreed this _____ day of _____, 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Peru Mining Company, that Exploration Project Contract Idm-867 (Docket No. DMA-371), dated July 18, 1951, as amended, is further amended, effective as of Nov. 1, 1954, as follows:

1. The period for the completion of the work, fixed by Amendment No. 5 at 4½ years from July 18, 1951, or to January 19, 1956, is hereby extended to 5 years from July 18, 1951, or to July 19, 1956.

2. The period for the suspension of operations, fixed by Amendment No. 5 to continue to Nov. 1, 1954, is hereby extended to June 1, 1955.

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____
Administrator, Defense Minerals Exploration Administration

PERU MINING COMPANY

By _____

_____

Hoffland
Talbert
Selfridge

Docket's copy

EXPLORATION PROJECT CONTRACT
PERU MINING COMPANY
DOCKET NO. DMA-371

AMENDMENT NO. 5

It is agreed t is 19th day of May, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Peru Mining Company, that Exploration Project Contract Idm-E67 (Docket No. DMA-371), dated July 18, 1951, as amended, is further amended, effective February 1, 1954, as follows:

In Amendment No. 4:

1. In paragraph numbered 1, delete "4 years" and substitute "4½ years."

2. In paragraph numbered 2, delete the words "for 6 months from November 1, 1953 or to May 1, 1954" and substitute "until November 1, 1954."

3. In paragraph numbered 3, delete the date "May 1, 1954" and substitute the date "November 1, 1954."

4. In paragraph numbered 5, delete the date "May 1, 1954" and substitute the date "November 1, 1954."

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. Mittendorf
Administrator, Defense Minerals Exploration Administration

PERU MINING COMPANY

By Jos. H. Taylor
Vice President

Robin Hoffland
Chamberlin

Attest
Adah V. Fleming
Assistant Secretary

Docket Copy

PERU MINING COMPANY
EXPLORATION PROJECT CONTRACT
DOCKET NO. DMA-371

AMENDMENT NO. 4

This agreement, entered into this 1st day of February, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Peru Mining Company, hereinafter called the "Operator," is an amendment of Exploration Project Contract Dem-267, Docket No. DMA-371, dated July 18, 1951, as amended, and WITNESSETH THAT:

WHEREAS, the contract, as heretofore amended, requires the Operator to bring the project to completion within 3½ years from July 18, 1951, the date of the contract; and authorizes recess of the project work during the period July 18, 1953, to November 1, 1953; and

WHEREAS, the Operator did not resume work pursuant to the requirements of the contract on November 1, 1953, nor thereafter; and the work now is and remains in suspension, and the Operator represents that it will not or cannot be resumed and prosecuted to completion within the period limited by the contract; and

WHEREAS, under the provisions of the contract, the Government is unable to make any certification of discovery or development except "upon the completion of the exploration project or termination of the contract"; and the Government is unwilling to waive its inchoate percentage royalty;

NOW THEREFORE, IT IS AGREED AS FOLLOWS:

1. The period fixed for the completion of the work is increased from 3½ years to 4 years from July 18, 1951, the date of the contract.

2. The current suspension of operations beginning November 1, 1953, is approved by the Government and authorized to continue for 6 months from November 1, 1953, or to May 1, 1954.

3. No costs incurred by the Operator during the entire period of suspension, from Jan. 29, 1953, to May 1, 1954, are allowable as costs for contribution by the Government; and the Operator, at its own cost and expense, without contribution by the Government, shall do all things necessary and proper to preserve the work and any property in which the Government may have an interest. No equipment to the cost of which the Government has contributed and in which it has an interest shall be used by the Operator without the advance written approval of the Government, except to the extent necessary for the preservation of the work.

4. (a) That part of Article 14 of the contract which precedes the colon is amended to read as follows:

> "The Operator, regardless of any certification of discovery or development, and regardless of whether the Operator is the producer or has any interest in the land, shall pay to the Government a royalty on all minerals mined or produced from the land described in the contract within 15 years from the date of the contract, or until the total amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production (including any bonuses, premiums, allowances, or other benefits), in whatever form disposed of, including ore, concentrates, or metal, as follows":

(b) The words "10-year period in the penultimate sentence of Article 14 are changed to read "15-year period."

5. If the work is not resumed on or before May 1, 1954, in the manner required to bring the project to completion within the time fixed by the contract, (a) all obligation of the Government to contribute to costs not then accrued under the provisions of the contract shall terminate, (b) the Operator shall promptly liquidate and account to the Government for its interest in any property to the purchase price of which it has contributed, but

(c) the Government's right to receive and the Operator's obligation to pay a percentage royalty on production shall be and are preserved.

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

THE UNITED STATES OF AMERICA

By C P Mittendorf
Administrator, Defense
Minerals Exploration
Administration

Hoffman Chandler

PERU MINING COMPANY

By Jas. H. Taylor
Vice President

Docket Copy

EXPLORATION PROJECT CONTRACT
PERU MINING COMPANY
DOCKET NO. DMA-371

AMENDMENT NO. 3

It is agreed this 9th day of July, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Peru Mining Company, each acting in consideration of the agreement of the other to the terms hereinafter set forth, that Exploration Project Contract Idm-E67, Docket No. DMA-371, dated July 18, 1951, as amended, between the parties hereto, be further modified and amended as of said date as follows:

1. In Article 3 of the contract form, the words "2 years" are changed to read "3½ years."

2. Wherever they appear in Article 14 of the contract form, the words "ten (10) years" are hereby changed to "twelve (12) years."

3. During the period July 18, 1953 to November 1, 1953, the project work may be recessed upon the Operator's written request provided there is no obligation on the part of the Government for any costs incurred by the Operator during the actual period of recess.

This amendment shall not be construed to increase the estimated total cost of the project nor the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C O Mittendorf
Administrator, Defense Minerals Exploration Administration

as to Robin Alexander

Attest:

PERU MINING COMPANY

Adell Fleming
Assistant Secretary

By Jos. H. Taylor
Vice President

No. 2

AMENDMENT OF CONTRACT No. [illegible]

Contract Docket No. DMA 371X, dated July 18, 1951, between the United States of America and Pure Mining Company is hereby amended as follows:

Referring to the Amendment to the above contract, dated February 25, 1952, which is effective January 15, 1952, strike out the following: "effective January 15, 1952," and insert in lieu thereof the following: effective August 15, 1951.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Dated March 24, 1952

PURE MINING COMPANY

By Jos. H. Taylor
Vice President

Attest

Adah V. Fleming
Assistant Secretary

UNITED STATES OF AMERICA

By J. H. Ewalt
EXECUTIVE OFFICER

[illegible]
[illegible]

MAR 3 1952

Docket Copy

ADMENDMENT OF CONTRACT: No. Idm-867

Contract Docket No. DMA 371X, dated July 18, 1951, between the United States of America and Peru Mining Company is hereby amended as follows, effective January 15, 1952:

Referring to Exhibit D - Labor and Supervision attached to Exploration Project Contract Form MF-200 delete the following:

"Underground-from $1.37½ per hour to $1.60½ per hour."
"Surface- from $1.30½ per hour to $1.60½ per hour."
Add the following:

| Occupational Classification | Hourly Rate | Occupational Classification | Hourly Rate |
|---|---|---|---|
| Laborer | $ 1.41 | Cager | $1.74 |
| Mucker | 1.49 | Repairman | 1.74 |
| Tech Nipper | 1.53 | Trackman | 1.74 |
| Crusherman | 1.53 | Motorman | 1.74 |
| Repair Helper | 1.53 | Pipeman | 1.74 |
| Topladder | 1.53 | Pumpman | 1.74 |
| Aerial Tramman | 1.53 | Steel Sharpener | 1.84 |
| Grizzlyman | 1.53 | Mechanic | 1.84 |
| Steel Sharpener Helper | 1.53 | Carpenter | 1.84 |
| Truck Driver | 1.53 | Diamond Driller | 1.84 |
| Machine Helper | 1.53 | Heistman | 1.84 |
| Track Helper | 1.53 | Shaftman | 1.84 |
| Dragman | 1.74 | Electrician | 1.84 |
| Shovel Operator | 1.74 | Shiftboss | 1.89 |
| Machine Man | 1.74 | | |

Miners driving drifts under contract may be paid at the rate of $5.70 per foot of advance.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the government may pay or the percentage of the costs which the government may pay under the provisions of Article 11 of the contract form.

Dated February 25, 1952

PERU MINING COMPANY

By Jos. H. Taylor
Vice President

Attested Adal [illegible]
Assistant Secretary

UNITED STATES OF AMERICA

By J. H. Eaton Jr.
Executive Officer, DMA

Attach Copy

AMENDMENT TO CONTRACT No. [illegible]

Contract Docket No. [illegible], dated July 16, 1952, between the United States of America and Fore Holding Company is hereby amended as follows, effective January 15, 1953:

Referring to Exhibit "A - Labor and Specifications attached to Contract Project Contract from [illegible] delete the following:

"Welder-pipefitter $1.[illegible] per hour to $1.[illegible] per hour."
"Laborer- from $1.[illegible] per hour to $1.[illegible] per hour."

Add the following:

| Occupational Classification | Hourly Rate | Occupational Classification | Hourly Rate |
|---|---|---|---|
| Laborer | 1.[illegible] | Cager | [illegible] |
| Painter | 1.[illegible] | Sheetrocker | 1.[illegible] |
| Tool Dispenser | 1.[illegible] | Carpenter | 1.[illegible] |
| Operator | 1.[illegible] | Plasterer | 1.[illegible] |
| Operator helper | 1.[illegible] | Plasterer | 1.[illegible] |
| Tractor | 1.[illegible] | Finisher | 1.[illegible] |
| Material runner | 1.[illegible] | Finisher | 1.[illegible] |
| Straightman | 1.[illegible] | Floor Sharpener | 1.[illegible] |
| Chief Stationary Engineer | 2.[illegible] | Scaffolder | 1.[illegible] |
| Truck Driver | 1.[illegible] | Carpenter | 1.[illegible] |
| Truck Helper | 1.[illegible] | Diamond Drilling | 1.[illegible] |
| Welding Helper | 1.[illegible] | Hod Man | 1.[illegible] |
| Truck Helper | 1.[illegible] | Structure | 1.[illegible] |
| Dragman | 1.[illegible] | Blacksmith | 1.[illegible] |
| Diesel Operator | 1.[illegible] | Bulldozer | 1.[illegible] |
| Machine man | 1.[illegible] | | |

Minors working during the under contract may be hired at the rate of $[illegible].70 per hour of minors.

The contractor shall not be required to increase the estimated total work of the contract, the objective total actual value of the contract may or the percentage of the costs which the government may pay under the provisions of Article II of the contract above.

Dated February 2, 1953

Fore Holding Company

By [signature]
Vice President

Attested

Assistant Secretary

United States of America

By [signature]
Contracting Officer

R N R

Docket DMA 371X
Contract Dm-247

The contract dated December 3, 1951, between the Peru Mining Mining Company and the Johnson Drilling Company for carrying out certain specified work under the provisions of Exploration Project Contract Docket No. DMA 371X between the United States of America and Peru Mining Company is hereby approved.

This approval shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay, or the percentage of the costs which the Government may pay, under the provisions of Article 11 of the contract form.

Dated January 24, 1952.

UNITED STATES OF AMERICA

By J. H. Earth
Executive Officer - DMA

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 3 - 1952

Docket OMA 371A
Contract Im-857

The contract dated December 5, 1951, between the Ferm Mining Mining Company and the Johnson Drilling Company for carrying out certain specified work under the provisions of Exploration Project Contract Docket No. IMA 371A between the United States of America and Ferm Mining Company is hereby approved.

This approval shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay, or the percentage of the costs which the Government may pay, under the provisions of article II of the contract form.

Dated January 24, 1952.

UNITED STATES OF AMERICA

By H. E. Smith
Executive Officer, OMA

[illegible]
[illegible]
[illegible]

[illegible]

(1951)

Docket No. DMA 371X
Commodity Lead, Zinc

Idm-E67

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

# EXPLORATION PROJECT CONTRACT [1]

It is agreed this 18th day of July, 1951, between the United States of America, acting through the Department of the Interior, Defense Minerals Administration, hereinafter called the "Government," and [2] [illegible]

hereinafter called the "Operator," as follows:

1. *Authority for contract.* This agreement is entered into under the authority of the Defense Production Act of 1950, pursuant to Mineral Order 5, entitled "Regulations Governing Government Aid in Defense Exploration Projects."

2. *Operator's property rights.* The exploration project shall be conducted on that certain property situated in the State of [illegible], County of [illegible] described as follows: [3] [illegible]

with respect to which the Operator represents and undertakes: [4]

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

(*b*) ~~That he is a lessee, in possession and entitled to possession, and the subordination agreement of the lessor is attached.~~

3. *Exploration project.* The Operator, within 30 days from the date of this contract shall commence work on a project of exploration for [5] [illegible]; shall prosecute the work efficiently, expertly, in a workmanlike manner, in accordance with good mining standards, with suitable and adequate equipment, materials, and labor, all properly designed to bring the project to completion within a period of [6] [illegible] from the date of this contract. The exploration project and the work to be performed are more fully described on Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, is made a part of this contract.

4. *Performance of the work.* The work shall be performed by the Operator, under his sole direction and control: *Provided,* That with the consent of the Government and its written approval of the contract or contracts, all or any part of the work may be performed by the Operator through contract or contracts with independent contractors. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

5. *Fixtures and improvements.* The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof. Attached hereto, marked "Exhibit 'B'," is a detailed list of additional facilities, buildings, and fixtures, to be purchased, installed, or erected by the Operator, with the estimated cost of each, to which the Government will contribute its agreed pro-rata share of the cost. The difference between the cost of such additional facilities, buildings, or fixtures, and the salvage value thereof at the conclusion of the work, shall be charged as a cost of the project to which the Government has contributed its pro-rata share.

6. *Operating equipment.* Attached hereto, marked "Exhibit 'C'," is a detailed list of operating equipment divided into categories of items to be rented, purchased, or furnished by the Operator, with the allowable rental, purchase price, or rental value, as the case may be, annexed to each. As to equipment purchased for the project, the Government will contribute its agreed pro-rata share of the cost thereof, and the difference between the cost and the salvage value at the conclusion of the work shall be charged as a cost of the project to which the Government has contributed its pro-rata share.

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] State name, address, and nature of organization if any.
[3] Give legal description or enough to identify the property.
[4] Strike out the provision not applicable.
[5] Name of mineral.
[6] Not in excess of 2 years.

7. *Title to and disposition of property.* All facilities, buildings, fixtures, equipment, or other items costing more than $50 each, paid for or purchased with funds contributed jointly by the Operator and the Government, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the termination of the contract, if they have any salvage value, shall be disposed of for their joint account unless the Government, in writing, waives its interest in any such items. The Government may require the dismantling, severance from land, and removal of any such items in order to realize its interest in the salvage value thereof, and the cost of any such removal and of the disposal of the items shall be for the joint account of the parties in proportion to their respective interests.

8. *Labor and supervision.* Attached hereto, marked "Exhibit 'D'," is an itemized schedule of labor, by numbers and classes (miners, muckers, millmen, etc.), and of supervisors, by numbers and positions, with the maximum wages or salaries that may be paid to each as an allowable cost of the project.

9. *Rehabilitation and repairs.* Attached hereto, marked "Exhibit 'E'," is a detailed schedule of existing facilities, buildings, installations, and fixtures, with a statement of the cost of any necessary rehabilitation or repairs to put into useful and operable condition, which cost shall be allowed as a cost of the project.

10. *Allowable costs of the project.* The allowable costs of the project in which the Government will participate are limited to the necessary, reasonable, direct costs of performing the exploration work, including the costs of materials, supplies, engineering, power, water, and utilities, including items of equipment costing less than $50 each; and the costs referred to in Articles 5, 6, 8, and 9, and the exhibits annexed to and referred to in the contract. Although the Government may pay part of the cost of new or additional facilities, structures, buildings, and equipment, only the depreciation on such items, computed as indicated in Articles 5 and 6, will be charged as a cost of the project. No items of general overhead, corporate management, interest, or any other indirect costs not expressly allowed by these regulations, or work performed or costs incurred before the date of this contract, shall be allowed as costs of the project in which the Government will participate.

11. *Participation by the Government.* At the end of the first full calendar month after the Operator has commenced work under the project, and at the end of each succeeding calendar month, the Operator shall submit to the Government a voucher for payment with a detailed statement of work done and allowable costs (as defined in Article 10 of this agreement) incurred, in a form and with supporting data acceptable to the Government. After approving the voucher, the Government shall pay to the Operator _____ percent of the sum of such costs incurred; *Provided,* That the aggregate total of all sums paid by the Government under this agreement shall not exceed $_____, which is _____ percent of the agreed estimated total cost of this project, $_____.

12. *Accounts and audits.* The Operator shall keep suitable records and accounts of operations, which the Government may inspect and audit at any time. The Government may at any time require an audit of the Operator's records and accounts by a certified public accountant, the cost thereof to be treated as a cost of the project. The Operator shall keep and preserve said records and accounts for at least 3 years after the completion of the project or the termination of this contract.

13. *Progress reports.* The Operator shall provide the Government with monthly reports of progress in form and content satisfactory to the Government, and upon the completion of the project or termination of the contract shall provide the Government with a comprehensive geologic and engineering report, including an estimate of ore reserves, to the best of his ability. Four copies of all reports shall be furnished to the Government.

14. *Repayment by Operator.* If, upon the completion of the exploration project or termination of the contract, the Government considers that a discovery or development has resulted from the work from which commercial production of ore may be made, the Government, within 6 months thereafter shall so certify to the Operator, particularly describing and delimiting its estimate of the discovery or the development. Thereafter, if and as ore is produced as a result of such discovery or development, the Operator and his successor in interest shall be and become obligated to pay to the Government a percentage royalty on the net smelter returns or other net proceeds realized from such ore, concentrates, or metal produced within ten (10) years from the date of this contract, until the total amount contributed by the Government, without interest, is fully repaid or said 10 years have elapsed, whichever occurs first, as follows:

Of net smelter returns or other net proceeds not in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent.

Of net smelter returns or other net proceeds in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent, plus one-half (½) percent additional for each full fifty cents ($0.50) in excess of eight dollars ($8.00) per ton of ore, but not in excess of a maximum of five (5) percent.

This obligation to repay from net returns or proceeds shall be and remain a claim and lien upon the property which is the subject of the exploration project and upon any production resulting from such discovery or development, in favor of the Government, until fully paid, or until said 10-year period has elapsed; and this claim and lien and the Government's right to repayment shall survive any termination of the contract, whether by completion of the exploration project or otherwise. This article is not to be construed as imposing any obligation on the Operator or his successor in interest to produce ore from any such discovery or development.

15. *No assignment of contract.* Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder.

16. *Termination and completion.* The Government may, at any time, by written notice to the Operator, terminate this contract: (*a*) If the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (*b*) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (*c*) if in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worthwhile discovery and in the opinion of the Government further operations are not justified. Upon the completion of the project or any termination of the contract the Operator shall render to the Government a full and final accounting of his operations under the contract and his expenditures of money; shall dispose of any unused materials, supplies, and equipment for the joint account of the Operator and the Government in the proportion of their respective interests; and shall pay to the Government its pro-rata share of any money remaining.

Executed in triplicate the day and year first above written.

Lone Mining Co
_____ (Operator)

By Jas A Hill
President

THE UNITED STATES OF AMERICA

By _____

U. S. GOVERNMENT PRINTING OFFICE 16—64066-1

## APPENDIX I

| Patented Claims | Survey Number | District | Section | Township | Range | Acres |
|---|---|---|---|---|---|---|
| Clifford | 1727 | 17 | 22 | 17 S | 12W | 20.205 |
| Traders | 1723 | 17 | 22 | 17 S | 12W | 15.66 |
| Beryl | 1994 | 17 | 22-23 | 17 S | 12W | 17.291 |
| Ruby | 1995 | 17 | 22-23 | 17 S | 12W | 20.661 |
| Las Cruces | 1995 | 17 | 22 | 17 S | 12W | 16.575 |
| Edmondson | 1995 | 17 | 22 | 17 S | 12W | 15.658 |
| Lenore | 1995 | 17 | 22-23 | 17 S | 12W | 18.746 |
| Peacock | 1995 | 17 | 22-23 | 17 S | 12W | 10.949 |
| Florence J. | 1994 | 17 | 23 | 17 | 12W | 5.023 |
| La Patrena | 1995 | 17 | 22-23 | 17 S | 12W | 20.661 |
| **Unpatented Claims** | | | | | | |
| John | | 17 | 22 | 17 S | 12W | 10.060 |
| Dan | | 17 | 22 | 17 S | 12W | 4.170 |

EXHIBIT A

The project is to consist of three general operations which are:

(1) Drifting and Crosscutting

(a) Approximately 4,000' of drifting on the 625' level of the Kearney line to a point approximately 800' below the lower workings of the Grant County Mine.

| | |
|---|---|
| Labor @ $18.00 per foot | $ 72,000 |
| Supplies @ $12.00 per foot | 48,000 |

(b) Approximately 350' of crosscutting where necessary.

| | |
|---|---|
| Labor @ $18.00 per foot | 6,300 |
| Supplies @ $12.00 per foot | 4,200 |
| Total | $130,500 |

(2) Diamond Drilling

| | |
|---|---|
| (a) Approximately 2000 feet of drilling from the surface as shown on accompanying map @ $4.00 per foot. | $ 8,000 |
| (b) Approximately 5400 feet of drilling from underground workings as shown on accompanying map @ $3.65 per foot. | 19,710 |
| Total | $28,510 |

(3) Churn Drilling

At two points along the 4[illegible] feet of drifting holes starting at about 12 inches in diameter and finishing at about 9 inches; must be drilled from the surface to connect with this drift to allow sufficient ventilation for the workmen in the breast of the drift. It is estimated that these two holes will average about 750 feet each or 1500 feet of drilling @ $15.00 per foot. $[illegible],500

It is understood that none of the above work can be performed by independent contractors unless prior written approval from the Government has been received. This applies to the drilling particularly. (See Paragraph 4, Performance of the Work).

EXHIBIT B

Does not apply.

**EXHIBIT C** - Equipment

**Rented**

None

**Purchased**

| | Approximate Costs | |
|---|---|---|
| 1 - Electric locomotive & charger | $6800.00 | |
| 1 - Shovel Loader | 3765.00 | |
| 1 - Jumbo | 3800.00 | |
| 4 - Power feed drifters | 4050.00 | $17,915.00 |
| Approximate Pipe Requirements | | |
| 2000' of 4" @ $1.17 | 2340.00 | |
| 4000' of 3" @ $0.73 | 2920.00 | |
| 2000' of 2" @ $0.33 | 660.00 | |
| 2000' of 1½" @ $0.25 | 500.00 | |
| 2500' of 1" @ $0.17 | 425.00 | |
| Miscellaneous valves | 480.00 | |
| 3000' Vent Tube @ $1.04 | 3120.00 | |
| 30 HP Motor and Blower | 2880.00 | |
| 20 One ton mine cars | 4000.00 | 17,325.00 |
| | | $35,240.00 |

| Supplies | Approximate Cost Per Foot | |
|---|---|---|
| Power | 4.08 | $17,748.00 |
| Powder | 3.50 | 15,225.00 |
| Bits | 2.00 | 8,700.00 |
| Rail | 1.00 | 4,350.00 |
| Exploders & Wire | .95 | 4,132.50 |
| Miscellaneous | .47 | 2,044.50 |
| Total | 12.00 | $52,200.00 |

**EXHIBIT D** - Labor and Supervision

Labor rates must conform with contract with Peru Local No. 890 of International Union of Mine, Mill and Smelter Workers.

These rates are:

Underground - from $1.37½ per hour to $1.60½ per hour

Surface - from $1.30½ per hour to $1.60½ per hour

Supervision (approximate allocation)

10% of Superintendence @ $550 per month

20% of Consultant Geologist @ $700 per month

10% of Foreman @ $450 per month

50% of Engineer @ $375 per month

**EXHIBIT E**

Does not apply.

RECAPITULATION

| | |
|---|---|
| **Drifting and Crosscutting** | |
| Drifting 4000' @ $30.00 per foot | $120,000 |
| Crosscutting 350' @ $30.00 per foot | 10,500 |
| **Diamond Drilling** | |
| From Surface 2700 feet @ $4.00 per foot | 8,800 |
| From Underground 5400 feet @ $3.65 per foot | 19,710 |
| **Churn Drilling** | |
| From Surface 1500 feet @ $15.00 | 22,500 |
| **Equipment** | |
| Purchased | 35,240 |
| Supplies (Included in $30.00 per foot) | |
| **Engineering** | |
| Geologist, Engineers, etc. | 8,250 |
| Total | $[illegible]5,000 |

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

OFFICE OF
REGIONAL DIRECTOR

REGION IV

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

February 23, 1951

Memorandum

To: Charles Anderson, USGS

P. T. Allsman (2)

From: Field Team, DMA, Region IV

Subject: Docket DMA 371, Peru Mining Company, Central Mining District, Grant County, New Mexico

We are attaching the loan application of the Peru Mining Company, Docket DMA 371. You will note that the Lead-Zinc Branch recommends that the ore reserves be thoroughly investigated, particularly with regard to the geological environment. You will also note that the project should be considered, first, as one that might fit into the grant-for-exploration program, and secondly, into the devebpment and plant expansion program. If you have any other suggestions, please submit them in your report.

This brochure (copy of Lead-Zinc Branch memorandum of February 12, with report from Peru Mining Company) is being forwarded to Mr. Anderson, who will make it available to Mr. Storms promptly.

J. H. East, Jr.

J. H. East, Jr.

A. H. Koschmann

A. H. Koschmann

Attachment

Copies to - Allsman (2)
Koschmann
DMA files

Form MF-103
(April 1951)

U. S. DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Budget Bureau No. 42-R1035.
Approval expires 6-30-51.

# APPLICATION FOR AID FOR AN EXPLORATION PROJECT PURSUANT TO MINERAL ORDER 5, UNDER DEFENSE PRODUCTION ACT OF 1950

DO NOT FILL IN THIS BLOCK

Docket No. DMA-371X

Date received 6/14/51

Participation

PERU MINING COMPANY
BOX 309
SILVER CITY, NEW MEXICO

Grant County Mine

Name and address of applicant

Date June 7, 1951

FILL IN THIS BLOCK

Date of application

Estimated cost $225,000.00

Mineral or metal Zinc Ore

Percentage of Government participation 50%

Location of mine Central Mining District

Grant County, New Mexico

Date of filing MF-100 June 7, 1951

DMA Docket Number, if available 371 X

## INSTRUCTIONS

Read Mineral Order 5, Regulations Governing Government Aid in Defense Projects, before completing this application. Submit four signed copies of the application to Defense Minerals Administration, Department of the Interior, Washington 25, D. C., or to the nearest field executive officer thereof, with your name and address on each sheet of the application and all accompanying papers. If any question is inapplicable, or if you cannot answer it, so state on the form. Where the space provided for answer is insufficient, answer on a separate sheet, annex it to the application form, and refer to it in space for answer. If the application is approved, you will be presented with an exploration project contract on Form MF-200, for your signature.

## THE APPLICANT

*1. Is applicant an individual, partnership, or corporation?
*2. If a partnership, state names and addresses of partners.
*3. If a corporation, state names and addresses of officers, directors, and five largest stockholders.
*4. Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who will manage the project.
*5. Are you the owner or the lessee of the property?
6. If owner, state what claims, liens, or encumbrances, if any, are against the property. None
7. If lessee, attach a copy of the lease and state if it is in good standing.

NOTE.—It will be necessary to procure and attach to the exploration project contract agreements of claimants, lienors, encumbrances and lessors subordinating their interests in the property to the interest of the Government under the contract.

8. Furnish current financial statement, showing assets and liabilities, and a profit and loss statement. See Annual Report
9. How much money is applicant prepared to invest in proposed project? Is it sufficient to pay your part of the cost of the project as detailed in question 23 of this application form, in accordance with the regulations on Government participation (Section 9 of Mineral Order 5)? $112,500 This is sufficient to pay our part

*If you have already answered these questions on MF-100, you are not required to answer the questions for this application.

16—64067-1

## THE PROPERTY

10. (*a*) Give a description of the real property that will be in any way involved in the exploration project, including any existing mine or operating property.
    (*b*) Give the legal description of the exact parcel, plot, or area upon which the exploration is to be conducted.

    NOTE.—If both areas are the same, so state. The only obligation to repay the Government is from the net earnings from any commercial discovery made in the area specified in (*b*) above in which the exploration is to be conducted, and the expenditure of funds which may be charged as costs of the project must be limited to that area or to work necessary to perform the exploration in that area.

*11. State the present and former names of the property, if any.
*12. State, in detail, the location of the property with reference to towns, railroads, roads, shipping points, including distances and directions and kinds and conditions of roads.
*13. State source and quantity of water available for operations and its sufficiency at all seasons.
State amount of power to be used, rate per hour or other cost, and source.
*14. Describe any existing useable facilities, equipment, buildings, or structure now on the property that will be devoted to the exploration work.
15. State in detail how the ore could be shipped and how and where milled.
*16. History:
    (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for any past suspensions of operations.
    (*b*) State briefly the known history and production of adjoining and neighboring properties.
    (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.
*17. Production:
    (*a*) If mine is in production, furnish the following information:

| | *Tons per day* | *Grade or analysis* | *Cost per ton* | *Net value per ton* |
|---|---|---|---|---|
| (1) Mining | | | | |
| (2) Milling | | | | |
| (3) Shipped or sold | | | | |

*18. Ore or mineral reserves: (If property is or has been operating.)
    (*a*) Describe the ore or mineral deposits briefly.
    (*b*) Submit available maps and assay data.
    (*c*) Give estimated tonnage and grade of each class of ore reserves.
19. State any conditions or circumstances regarding the property not sufficiently brought out by the foregoing questions.
See Report

## THE EXPLORATION

20. For what mineral or minerals and for what types of deposits and ores will the exploration be conducted? Zinc Ore
21. Describe briefly, but concisely, the proposed work and the estimated time required to complete it. See Report. 21 Months

    NOTE.—The Government will not participate in a project that will require more than 2 years to complete.
22. Furnish statement of the geological basis of the project with particular emphasis on factors leading the operator to expect the finding of commercial ore bodies. This statement should be accompanied by supporting maps such as geological maps, maps of the proposed openings and assay maps, sample lists, and other pertinent data. See Report

## THE REQUIREMENTS AND COSTS – See Report

23. Tabulate in the form of an itemized statement with a sum for each item the estimated requirements and costs of the project so that the total will give the estimated cost of the project in which the Government will participate, as follows:
    (*a*) Labor, by numbers and classes (miners, muckers, millmen, etc.), with wages of each.
    (*b*) Supervisors, by numbers and positions, with salaries of each.
    (*c*) Cost of necessary repairs to existing facilities, structures, and buildings.
    (*d*) Cost of necessary installation or construction of additional facilities, structures, and buildings.
    (*e*) Cost of items of equipment, not now owned by the applicant which must be purchased for operations at a cost of $50 or more each.
    (*f*) Cost of rental for equipment which the operator proposes to rent.
    (*g*) Rental value of items of equipment which the operator now owns and which will be devoted to the work.
    (*h*) Cost of materials and supplies, including items of equipment costing less than $50 each.
    (*i*) Cost of power, water, utilities, and any other items not provided for above.
24. Furnish a time schedule of the project, stated in terms of months after project is approved, showing progress expected to be accomplished and the money expected to be spent.

## CERTIFICATION

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

PERU MINING COMPANY
(Name of company)

By Jos. H. Taylor
(Signature of authorized official)

June 7, 1951
(Date)

Vice President
(Title)

**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.**

*Same as footnote on page 1.

16—64067-1 U. S. GOVERNMENT PRINTING OFFICE

10. a. The property involved in the exploration is the Grant County Mine, including the following claims.

b. The legal description is the same.

| Patented Claims | Survey Number | District | Section | Township | Range | Acres |
|---|---|---|---|---|---|---|
| Clifford | 1727 | 17 | 22 | 17 S | 12W | 20.205 |
| Traders | 1728 | 17 | 22 | 17 S | 12W | 15.66 |
| Beryl | 1994 | 17 | 22-23 | 17 S | 12W | 17.291 |
| Ruby | 1995 | 17 | 22-23 | 17 S | 12W | 20.661 |
| Las Cruces | 1995 | 17 | 22 | 17 S | 12W | 16.575 |
| Edmondson | 1995 | 17 | 22 | 17 S | 12W | 15.658 |
| Lenore | 1995 | 17 | 22-23 | 17 S | 12W | 18.746 |
| Peacock | 1995 | 17 | 22-23 | 17 S | 12W | 10.949 |
| Florence J. | 1994 | 17 | 23 | 17 | 12W | 5.023 |
| La Patrona | 1995 | 17 | 22-23 | 17 S | 12W | 20.661 |
| Unpatented Claims | | | | | | |
| John | | 17 | 22 | 17 S | 12W | 10.060 |
| Dan | | 17 | 22 | 17 S | 12W | 4.170 |

Form MF-100
(March 1951)

U. S. DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Form approved.
Budget Bureau No. 42-R1026.

# GENERAL TECHNICAL DATA
# FOR USE UNDER THE
# DEFENSE PRODUCTION ACT OF 1950

NOT TO BE FILLED IN BY APPLICANT

Docket No. Dma-371X

Date received 6/14/51

Grant County, Mine

PERU MINING COMPANY
AND
NEW MEXICO CONSOLIDATED MINING COMPANY
(a totally owned subsidiary)
Box 309, Silver City, New Mexico

Name and address of applicant

Date June 7, 1951

## INSTRUCTIONS

This form is to be filed with Defense Minerals Administration, Department of the Interior, Washington 25, D. C. It should be accompanied by appropriate application form when a specific type of Government assistance is requested, in the form of (1) loan, (2) purchase contract, (3) Government guarantee of a private loan, (4) ~~Necessity Certificate pursuant to the provisions of Section 124A of the Internal Revenue Code, 1950~~, (5) priorities or allocation of mining equipment, and maintenance, repair and operating supplies, and (6) other forms of Government assistance that might arise under the Act. Submit four (4) signed copies of the form and accompanying papers. Name and address should be stamped or typed on each sheet of this form and all accompanying papers. *When a question is inapplicable it should be so stated on the form.* Additional sheets may be attached in answering any questions or in supplying additional information. (IF YOU CANNOT ANSWER A QUESTION, SO STATE.) If a question is answered elsewhere indicate where answered. It is not necessary to answer it again.

X
5

## GENERAL TECHNICAL DATA

Supply the following information on separate sheets, arranged, numbered, and lettered as indicated:

1. Materials produced:
   (*a*) What are the chief mine, mill, or smelter products?
   (*b*) What are the byproducts, if any?
2. Name(s) and type(s) of mine(s), mill(s), smelter(s), refinery(ies), pit(s), quarry (ies), drilling operation(s). Include old names of property, if any. Show extent of workings, including the following:
   (*a*) Linear feet of shafts.
   (*b*) Linear feet of drifts and crosscuts.
   (*c*) Linear feet of tunnels or adits.
   (*d*) Linear feet of other mine openings (explain briefly).

   Indicate whether mine is flooded or not. Describe any pumping problems. Give size or productive capacity.
3. For each operation listed above supply the following:
   (*a*) Distance and direction from nearest town and shipping point.
   (*b*) Mining district.
   (*c*) Township, Section, Range.
   (*d*) County, State.
4. (*a*) State whether or not property is now in operation, and if in operation, by whom operated.
   (*b*) Are you operating this property as:
   - ☐ Owner.
   - ☐ Lessee.
   - ☐ Contractor.
5. Number of years in production _____

   If not in production or operation, estimated date when production will begin _____
6. Experience of operators:
   Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who manage the project.
7. History:
   (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for suspension of operation.
   (*b*) State briefly the known history and production of adjoining and neighboring properties.
   (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.

8. Names and addresses of Officers, Directors, or Partners, and in addition thereto, the five largest stockholders if applicant is a corporation.

| Name and Address (a) | Official Title (If officer is also director indicate by "D") (b) | Total of Annual Salary, Commissions, Bonuses, Etc., Received From Applicant and Affiliates During Last Fiscal Year (c) | Estimated Net Worth Outside of Interest in Applicant (d) | Number of Shares Held in Applicant Corporation: Common (e) | Number of Shares Held in Applicant Corporation: Preferred (f) | Life Insurance Carried for Benefit of Applicant: Amount (g) | Life Insurance Carried for Benefit of Applicant: Net Cash Surrender Value After Loans (h) |
|---|---|---|---|---|---|---|---|
| James A. Hill<br>630 Fifth Ave., N.Y., 20 | "D"<br>President | | | | | | |
| Joseph H. Taylor<br>Box 309, Silver City, N.M. | Vice President and<br>General Manager | | | | | | |
| L. R. Berkey<br>2959 W. 47th St., Chicago 32 | "D"<br>Secretary and Treasurer | | | | | | |
| Howard Mellor<br>630 Fifth Ave., N.Y., 20 | "D"<br>Asst. Secretary and Asst. Treasurer | | | | | | |
| Ivan L. Johnson<br>Box 309, Silver City, N.M. | Asst. Secretary | | | | | | |
| M. B. Dotts<br>2959 W. 47th St., Chicago 32 | Asst. Secretary and Asst. Treasurer | | | | | | |
| | | | | | | | |
| | Total | | x x x x x | | | x x x x x | x x x x x |

If more lines are needed continue on separate sheet.

9. Capital Stock Issues:

**For Corporate Applicants**

| Item | Authorized (a) | Outstanding (b) | Par Value (c) | Number of Shares Outstanding (d) | Dividend Rate Last Paid* (e) |
|---|---|---|---|---|---|
| Common stock SEE ANNUAL REPORT | $ | $ | $ | | |
| Preferred stock | $ | $ | $ | | |

*Indicate period covered.

10. Production:

| Item | Kind of Product (a) | 1948 Total (b) | 1949 Total (c) | 1950 Total (d) | Present Average Monthly (e) |
|---|---|---|---|---|---|
| 1. Quantity of product mined or quarried (Short, long, metric tons; barrels; pounds; etc.) | | | | | |
| 2. Quantity of product processed (specify unit of measure and type of process) | | | | | |
| 3. Quantity and grade of product sold or shipped (specify units of measure) | | | | | |

11. Do you contemplate a change in the present average monthly rate of production? If so, state estimated maximum monthly production and basis of change.

12. Ore or Mineral Reserves:

(a) Describe the ore or mineral deposit briefly. Accompany the application by any available report on the geology and ore reserves.

Peru Mining Company
And New Mexico Consolidated Mining Company
A totally owned subsidiary
Box 309, Silver City, New Mexico

GENERAL TECHNICAL DATA

1. Materials produced:

   A. Mines produce zinc ore with small amount of lead and silver. Mill produces zinc concentrate.

   B. By products: Copper, Silver, Lead concentrate

2. Peru Mining Company - Pewabic Mine

Underground Mining.

   a. Shaft: 500 feet deep

   b. Drifts and crosscuts: 16,300 feet

   c. Adit: 1,480 feet

   d. Raises: 3,000 feet

Mine is in operation producing 400 tons of ore per day of two shifts. The amount of water being pumped is not over 25 gallons per minute. This mine was shut down from May 1949 to October 1950 because the better ore is now exhausted. Production to date: 1,660,935 tons of 8.67% Zinc Ore.

Peru Mining Company - Grant County Mine

Underground mining from adit

   a. Shafts below and above adit: 480 feet

   b. Drifts and crosscuts: 2,260 feet

   c. Adit: 2,530 feet

   d. Raises: 300 feet

The mine is not in operation but there is no water to pump. The mine as is has a capacity to produce 100 tons per day of two shifts but development in depth might increase this to 400 tons per day. Production to date: 59,495 tons of 9.44% Zinc ore.

Peru Mining Company
Box 309, Silver City, New Mexico

Peru Mining Company - Philadelphia Mine

Formerly United States Copper Company

a. One shaft 700 feet; another 500 feet

b. Drifts: 2,460 feet

Peru Mining Company - Clifford

a. Shaft: 190 feet

b. Drifts: 220 feet

New Mexico Consolidated Mining Company - Kearney Mine

a. Shafts: No. 1 625 feet; No. 2 375 feet

b. Drifts and crosscuts: 10,800 feet

c. Adits: None

d. Raises: 1,500 feet

Mine in operation producing 400 tons of zinc ore per day of two shifts. Water being pumped is less than 50 gallons per minute. This mine was shut down from June 1949 to March 1950 because of low price of zinc. Total production 501,812 tons of 7.91% zinc ore.

New Mexico Consolidated Mining Company - Copper Flat Mine

a. Shaft: No. 2 300 feet; No. 4 500 feet

b. Drifts: 500 feet

Mine is flooded at 400 level and is not in operation but there is ore left in mine. The mine has produced 183,337 tons of ore 6.73% zinc.

Peru Mining Company Mill at Peruhill, four miles northwest of Deming, is a differential flotation concentrator having a capacity of 1000 tons of ore per day.

3. a. The above mines are within a radius of one half to two miles of Hanover, a Santa Fe shipping point.

Peru Mining Company
Box 309, Silver City, New Mexico

b. Central Mining District

c. Sections 15 - 19 - 21 - 22 and 27, Township 17 South Range 12 West

d. Grant County, New Mexico

4. a. Peru Mining Company operates Pewabic Mine now. New Mexico Consolidated Mining Company operates Kearney Mine now. Grant County Mine, Philadelphia Mine, Clifford Shaft and Copper Flat Mine are not operating.

b. All are owned except a fractional claim, the Imperial No. 2, a part of Kearney Mine under lease.

5. Peru Mining Company has operated Pewabic Mine from 1927 to the present.
New Mexico Consolidated Mining Company started development of Kearney Mine during 1941 and has operated most of the time to date.
Other mines are not in production.

6. a. The Illinois Zinc Company, owner of Peru Mining Company, has operated mines, mills, smelters and rolling mills since 1870. Peru Mining Company has been going since 1927.

b. Jos. H. Taylor, Vice President and General Manager, has had more than forty years experience mining, milling and smelting of nonferrous metals.

7. a. Our organization started exploration and development of Pewabic Mine during 1927 and the property was purchased in July 1929. It has been in operation since that time except for periods when the economic conditions did not justify production of zinc concentrates.
Grant County mine was in production for periods when economic conditions justified the production. During 1941 we obtained by lease and option the property of United States Copper Company adjoining Pewabic Mine. This was explored, developed and operated as part of Pewabic Mine. Also we obtained during 1941, by lease and option, the Kearney Claim and explored

Peru Mining Company
Box 309, Silver City, New Mexico

and developed the Kearney Mine. We also obtained by lease the Imperial No. 2 Claim which has been developed and operated as part of Kearney Mine. The Copper Flat property was also developed and operated for several years but is not now in production.

b. There are several other mining operations in the district. The New Jersey Zinc Company joins us on the West and has operated for many years. Kennecott Copper Corporation has developed two zinc mines to the West and South of our property. Farther to the South but not joining us are mines of the United States Smelting, Refining and Mining Company and American Smelting and Refining Company, both in operation. We are producing more tons of ore than any other zinc producer in the State.

8. Names and addresses of Officers:

James A. Hill, 630 Fifth Avenue, New York 20, President

Joseph H. Taylor, Box 309, Silver City, N. M., Vice President and General Manager

L. R. Berkey, 2959 West 47th St., Chicago 32, Ill., Secretary and Treasurer

Howard Mellor, 630 Fifth Avenue, New York 20,
Assistant Secretary and Assistant Treasurer

Ivan L. Johnson, Box 309, Silver City, N. M., Assistant Secretary

M. B. Dotts, 2959 West 47th St., Chicago 32, Ill.,
Assistant Secretary and Assistant Treasurer

9. Capital Stock Issues: See Annual Report

10. Production:

1. Quantity of product mined:

| | 1948 | 1949 | 1950 | Present Average |
|---|---|---|---|---|
| Kearney Mine | 75,778 | 51,779 | 110,753 | 11,000 |
| Pewabic Mine | 23,086 | 28,804 | 14,440 | 10,000 |
| Total | 98,864 | 80,583 | 125,193 | 21,000 |

Peru Mining Company
Box 309, Silver City, New Mexico

2. Quantity of product processed:

| | 1948 | 1949 | 1950 | Present Average Month |
|---|---|---|---|---|
| Short tons zinc ore | 119,799 | 89,894 | 126,447 | 29,000 |

3. Quantity and grade of product sold:

| | | | | |
|---|---|---|---|---|
| Short tons 56% zinc concentrate | 13,795 | 12,416 | 16,088 | 3,600 |
| 35% lead concentrate | 1,180 | 643 | 290 | 100 |

11. No change contemplated

12. Ore or Mineral Reserves:

a. The ore deposits are replacement of limestone beds along fractures and ore adjacent to igneous intrusions.

b. 1. Assays given above indicate past production; however, future production will be of a lower grade.

2. Kearney: Proved ore 40,000 tons, probable ore 120,000 tons. Metal content of proved ore 6 to 7%; probable ore 5 to 7%.

Pewabic: Proved ore 25,000 tons, probable ore 75,000 tons. Metal content of proved ore 6%; probable ore 5 to 6%.

13. Useable roads to shipping point and residence points.

14. Water Supply adequate but not in over supply at mines, abundant at mill.

15. Power: Mine - 265,000 KWH per month, 1200 KW demand

Community Public Service Company

Mill - 530,000 KWH per month, 900 KW demand

Public Service Company of New Mexico

16. Labor: Miners: 68 Muckers: 46 Others: 104

Mill men: 35

17. Usual equipment and facilities for production of 400 tons per day at each mine, and treating 1000 tons of ore per day at mill.

18. No unusual conditions.

(b) If deposit is other than placer:

(1) Submit assay plans and/or sections showing location and size of proved (measured) and probable (indicated) ore or mineral reserve.

(2) State the tonnage (indicate type of ton) and grade of each class of ore reserve, as above, and show how computed. Tabulated total ore reserve as follows:

**TOTAL ORE OR MINERAL RESERVES**

| Ore or Mineral Reserve | Estimated Tons (a) | Metal or Mineral Content Per Ton (Grade) (b) | Gross Value Per Ton (c) | Recoverable Unit Value Per Ton (d) | Estimated Cost of Production Per Ton (e) |
|---|---|---|---|---|---|
| Measured (proved) | | | | | |
| Indicated (probable) | | | | | |

(c) If placer:

(1) Give estimated total yardage and average marketable mineral content of each deposit.

(2) Submit map showing location of placer deposit and surrounding area, with all test holes or pits. Submit logs of each hole and test pit with depth and average value of each.

(3) Describe gravel, stating whether fine, medium or coarse; loose, tight, cemented, or frozen, and whether it contains stumps or boulders more than 1 foot in diameter; if so, how large, and in what proportion.

(4) Describe bedrock, giving type (granite, sandstone, shale, etc.) and state whether it is hard or soft, smooth, uneven or rough.

(5) Describe overburden, stating whether loose, tight, or cemented; fine or coarse textured; furnish estimate of average thickness and total amount.

(6) Tabulate the reserves using the form outlined above for ore or mineral reserves.

13. Access Roads:

Give road distances to shipping, supply and residence points, stating kind and condition of roads.

14. Water Supply:

State source and quantity of water available for operations and whether sufficient for all seasons of year.

15. Power:

State amount of power used, rate per hour, and source thereof.

16. Labor:

State number and classes (miners, muckers, millmen, etc.) of men employed during a recent representative payroll period.

17. Equipment and Facilities:

Describe present equipment on the property, including buildings. (State condition.) List major pieces of equipment now owned or controlled and in serviceable condition available for this operation.

18. Are there any particular conditions or circumstances affecting your operations that are not described above? If so, explain.

**CERTIFICATION**

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

PERU MINING COMPANY AND
NEW MEXICO CONSOLIDATED MINING COMPANY
(Name of company)

By Jos. H. Taylor
(Signature of authorized official)

June 7, 1951
(Date)

Vice President
(Title)

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

U. S. GOVERNMENT PRINTING OFFICE 16—63792-1

DMA-371

CHICAGO

NEW YORK

# PERU MINING COMPANY

630 FIFTH AVENUE

NEW YORK 20
Telephone
Circle 7-0874

January 8, 1951

Dr. James Boyd, Administrator
Defense Minerals Administration
Department of the Interior
Washington, D. C.

Dear Doctor Boyd:

Re: GRANT COUNTY MINE PROJECT

During our recent telephone conversation we discussed the matter of increasing our production of zinc over a period of years and in that connection we desire to bring to your attention our Grant County Mine.

Our Mr. Joseph H. Taylor, Vice President, at my request, prepared a report on this mine, particularly concerning the development work which was then being considered and with which we have since gone forward. Attached is Mr. Taylor's report containing the following:

1. Letter from Mr. Jos. H. Taylor, Vice President, dated August 14, 1950.
2. Letter from Mr. Jos. H. Taylor, Vice President, dated December 27, 1950.
3. Letter from Dr. Harrison Schmitt, Mining Geologist, Silver City, New Mexico, dated July 14, 1943.
4. Dr. Harrison Schmitt's report dated August 8, 1950.
5. Various maps descriptive of the Grant County Mine Project.

We desire to assist efforts of our Government in acquiring zinc concentrates or slab zinc in meeting the national emergency and in order to make necessary arrangements to produce and sell same to an appropriate Government agency, we offer the following as a basis for negotiating an agreement for increasing the production of zinc from domestic mines.

This Company owns and otherwise controls certain mining properties in New Mexico, known to contain high grade ore, and is willing to sell certain quantities of zinc concentrates or slab zinc on condition that we receive a down-payment for the purpose of aiding in financing the cost of expanding its facilities to increase the production of zinc ore.

Proposed Development of Grant County Mine
and Sale of Zinc Concentrates or Slab Zinc

This Company would agree to develop its so-called Grant County properties, all located in the Central Mining District, Grant County, New Mexico, to produce zinc ore at the rate of at least 400 tons of ore per day as soon as practicable and that such facilities would be completed and in full production as promptly as possible.

To assist this Company in the development and acquisition of equipment and supplies, it is suggested that an appropriate

Government agency would contract to purchase the zinc concentrates or slab zinc produced from this property and advance us an amount of $450,000. as a down-payment to be applied on the purchase price of zinc concentrates or slab zinc as later provided. We would expend not less than $50,000. of our own funds in such development operations. The advance of $450,000. to be for a period of approximately eleven years. It will require about a year and a half to sink and equip a 900-foot shaft and to develop and equip a mine for a productiom of from 400 to 500 tons per day and there would remain nine years to repay the total of $450,000.

Formula for Repayment of Advance

We would agree to repay the advance from the sale of concentrates processed from ore extracted from this property at the rate of 8-1/2% of the value of each ton of concentrates f.o.b. cars at Deming Mill, Peruhill, New Mexico.

Shipment of Metal

Not less than 70% of the zinc concentrates or slab zinc to be shipped as directed by an appropriate Government agency and not exceeding 30% to be retained by the Company for its requirements such as use in rolling mills owned and operated by an affiliated company.

Pricing of Metal

We suggest using the following basis for settlement: The average price quotation in E&MJ or the American Metal Market for Prime Western zinc at East St. Louis for the calendar month preceding delivery date with a stipulated minimum price, however, to be mutually agreed upon. The Grant County Mine could have the right to substitute a higher grade of zinc with appropriate price for higher grades.

Termination of Contract

In the event actual mining discloses there is not a sufficient tonnage of zinc ore of required quality available for mining in the ordinary course of operation to enable Seller to fulfill the terms of this contract, then Seller's obligation to deliver and the Buyer's obligation to purchase concentrates or slab zinc would terminate upon the delivery of all concentrates then available to the Buyer.

Organization of Separate Subsidiary Company

In order to facilitate the proposed operation, the keeping of books and accounts and contractual relationships, it would be proposed that a new corporation be organized for the purpose of developing the Grant County Mine and carrying out the arrangement suggested above.

Our Company would of course make available, under a lease containing terms and provisions as would be mutually agreeable to the Government agency involved, to cover the necessary properties for the production of the zinc concentrates or slab zinc.

---

The foregoing proposal presents to you a proposal for discussion. I shall be delighted to confer with you at your convenience and develop the necessary details. I might add that during the preceding World War II, our Company worked out a similar arrangement with the Metals Reserve Company as set forth above covering the then development of our Kearney Mine and I believe that you will find that the operations were to the entire satisfaction of the Metals Reserve Company.

Very truly yours,

PERU MINING COMPANY

Jas A Hill

Jas. A. Hill
President

JAH-frz

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

August 14, 1950

To: Mr. James A. Hill, President
Peru Mining Company and
New Mexico Consolidated Mining Company
630 Fifth Avenue
New York 20, New York

Subject: Exploration of Grant County Mine and intervening ground between it and the Kearney Mine.

Following is a report, concerning development work which is now being considered, by Harrison Schmitt, Mining Geologist of Silver City. I have gone over this report and am pleased to recommend that this work be carried out as and when it is possible.

The Peru Mining Company has now been in operation for more than twenty years, having been organized in 1928 to develop and operate the Grant County Mine and the Pewabic Mine, also to build a mill for treating the ores from these mines, at Deming, New Mexico. During this period of operation there were produced from the Grant County Mine 59,495 tons of ore averaging 9.44% zinc. Nearly all of this ore was produced from and above the Las Cruces Level. A shaft was sunk below the level and a little ore brought up to the level; however, very little work was done below this level but some drill holes showed horizons far below the Las Cruces Level which should be productive. Dated July 14, 1943, Harrison Schmitt recommended a drift to the Southwest along the Grant County dike and this was done. Some ore was developed but due to low price of zinc this work was discontinued. A copy of this report is appended.

The Pewabic Mine, during this period, produced 1,607,718 tons of ore which averaged 8.75% zinc. The higher grade ore is now largely exhausted although there still remains a considerable tonnage of 5 to 6% zinc not economically considered at this time. There are still areas on claims near this mine which have not been thoroughly diamond drilled and in all probability additional ore will be discovered on these claims.

The mill, located at Peruhill on the Atchison, Topeka & Santa Fe Railway near Deming, has been increased in capacity so that it can now treat 1,000 tons of ore per day, but is operating at part capacity, producing zinc concentrates and a small amount of lead concentrates. This mill has treated 2,248,663 tons of ore from our mines and, in addition, more than 100,000 tons of ore brought in by twenty, or more, large and small neighboring mines. We have a capacity now to treat an additional 500 tons of ore per day, more than is being treated.

The New Mexico Consolidated Mining Company was incorporated in 1941 to develop and operate the Kearney and Copper Flat Mines. The Kearney Mine has now produced 398,113 tons of ore averaging 8.07% zinc. It is now producing eleven to twelve thousand tons of such ore per month. The Copper Flat Mine, which has been shut down during the past three years, produced 183,337 tons of 6.73% zinc ore. There are still areas at Copper Flat where ore may be mined in the future.

Approximately 2,000 feet to the South of our boundary, the Oswaldo No. 2 Mine of the Kennecott Copper Company has developed ore along the Grant County dike for a distance of 400 feet and are still in ore both to the North and to the South. This is in the Middle Blue Limestone horizon which is less favorable than the Hanover limestone below which we plan our major development; however, the Middle Blue Limestone will also be explored.

In order to explore the Hanover limestone horizons from the Kearney Mine out to and in the area of the Grant County Mine, we now propose four surface

diamond drill holes as recommended by Harrison Schmitt. These will require a total of 3,720 feet of drilling. Part of this drilling can be done for three to four dollars per foot; however, deeper drilling will cost considerably more. This diamond drilling will definitely locate the ore horizons and may encounter some ore; however, for deep drilling it is difficult to block out ore.

With the completion of this drilling, we would know better where to drive the long drift from the Kearney Mine. This will require at least 4,000 feet of main drift. Part of this should be double track and not considering equipment, 6 x 7 drift would cost thirty dollars per foot and wider drift would cost forty dollars per foot exclusive of equipment. Additional equipment will be necessary for this work. Having completed the long drift, there will be required some 5,000 feet of underground diamond drilling. This, at present prices, will cost from $2.65 per foot to $3.00 per foot, exclusive of air power. The air for this and other costs will add another $1.00 per foot.

We estimate 1,000 feet of crosscuts and raises to ore will be necessary as part of this development and these will cost, at present rates, $30.00 per foot, for crosscuts and $20.00 per foot for raises, exclusive of equipment. During the development program and before a shaft for ventilation and escapeway is completed, ventilation of this underground drift will cause an expenditure of approximately $15,000.00 for a churn drill hole and fan.

A three compartment shaft from the Las Cruces Level to the 625 Kearney Level would require not less than 910 feet of shaft. The present estimated cost of this would be $150.00 per foot exclusive of timber, power and equipment. By using a shaft 140 feet deep from the Las Cruces Level, the sinking may be reduced to 770 feet. We estimate the cost of this shaft at $150,000.00 and $20,000.00 to enlarge the old shaft.

This development program is planned on the basis of operating the Grant County Mine in depth on the basis of 400 tons per day and we believe the ore

from this lower area would be of approximately the same grade as the upper ore which averaged 9.44% zinc. There will be required a considerable amount of equipment to push the development and begin the production of ore. We estimate the following equipment will be required.

EQUIPMENT

| | |
|---|---|
| 2 Electric Locomotives | $ 9,600.00 |
| 4 Shovel Loaders | 11,600.00 |
| 1 Jumbo Drift Machine | 3,300.00 |
| 6 Jackhamers | 3,500.00 |
| 8 Powerfeed Drifters | 6,800.00 |
| 6 Stopers | 4,000.00 |
| Pipe,Valves and fittings | 7,500.00 |
| Blower and Pipe | 6,000.00 |
| Hoist | 12,000.00 |
| Headframe | 3,500.00 |
| 2 Tuggers and Scrapers | 4,000.00 |
| 50 One Ton Mine Cars | 10,000.00 |
| 1 Compressor, installed | 14,200.00 |
| | $96,000.00 |

RECAPITULATION OF APPROXIMATE COST

| | |
|---|---|
| 3,720 feet of surface diamond drilling @ $4.00 | $ 14,880.00 |
| 3,000 feet of 6' X 7' drift at $30.00 | 90,000.00 |
| 1,000 feet of wide drift @ $40.00 | 40,000.00 |
| 5,000 feet of underground diamond drilling @ $3.65 | 18,000.00 |
| 500 feet of crosscutting @ $30.00 | 15,000.00 |
| 500 feet of raises @ $20.00 | 10,000.00 |
| 770 feet of new shaft, 140 feet old | 170,000.00 |
| 900 feet churn drill hole for ventilation | 15,000.00 |
| Equipment | 96,000.00 |
| Engineering and extras | 31,120.00 |
| | $500,000.00 |

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

December 27, 1950

Mr. James A. Hill, President
Peru Mining Company
630 Fifth Avenue
New York 20, New York

Subject: Exploration of Grant County Mine and intervening ground between it and the Kearney Mine.

Dear Mr. Hill:

Since my letter of August 14th, 1950, we have started a diamond drilling program to gain more information about the geology of the Grant County Mine.

As recommended by Harrison Schmitt, August 8th, 1950, Page 5, Holes (1 and 2) have been completed. These holes are shown on the accompanying section. Hole 1 is No. A-213. This hole encountered a small dike from 118 to 148 feet and the Grant County dike at a depth of 476 feet and was continued in the dike to a depth of 589 feet.

On the assumption that the Grant County dike would continue to dip as indicated by the surface and the first drill hole, we proceeded to drill the second hole No. A-230. This hole deviated and did not encounter the Grant County dike but it did verify the depth and elevation of the horizons, particularly the Hanover limestone and the Lower Blue limestone and shale. It is quite probable that the drill hole was a considerable distance from the dike where the hole passed through the Hanover limestone and for this reason the limestone did not show much alteration. This hole went through a granodiorite sill from 705-764 feet and the small dike 775-925 feet, then through one foot of parting shale and four feet of ore 926-932 feet. The Hanover Limestone was from 926 to 1038 and the Lower Blue from 1038-1217 feet.

We have now verified the depth and elevation of the important horizons at two sections along the Grant County Dike. 1. At section 320, Hanover sill, Hanover limestone and Lower Blue limestone are clearly defined; also Middle Blue limestone and Parting Shale are indicated by normal thickness and a foot of shale above the Hanover limestone. 2. At section 301, diamond drill hole 19 has verified the depth and elevation of all these horizons.

Dr. Harrison Schmitt recommended that from the Las Cruces level we drill one or two short holes near diamond drill hole 158. This has been done and we know that there are two small bands of ore near a small dike in the upper limestone at horizons comparable with the beds of the Grant County Mine.

Dr. Harrison Schmitt now recommends (and I concur in this) that we now drill two deep holes; one in section 301 to cut the Hanover limestone near the Grant County dike contact, the other in section 320 to cut the Hanover limestone near the Grant County dike contact. Each of these holes will be in excess of 1,000 feet deep and

HARRISON SCHMITT
Mining Geologist
Silver City, N. M.

July 14, 1943

To: J. H. Taylor, V. P. & Gen. Mgr.
Peru Mining Co.
Silver City, New Mexico

From: Harrison Schmitt

Subject: Grant County Mine, Hanover, N. M.

Appendix: Maps No's. 547, 548, 549, 550 and 594

The Grant County mine is about one mile east of the Pewabic Mine. It has been inactive since about 1930. From about 1927 to 1930, it was operated by the Peru Mining Co., when about 40,000 tons of sulphide ore, assaying around 10% Zn., were produced. Previous to this, some oxidized zinc ore may have been produced and an early attempt was made to mill the sulphide ore with a mill on the east side of the mountain containing the mine.

In 1935, I made a preliminary survey of the surface and underground geology and in 1935-1936 three short holes 115, 114, and 99 were drilled. Hole 19 was deepened to the Hanover limestone. These holes found no ore but gave valuable information on the geology, such as the location of the main dike and the Hanover limestone in depth.

In 1939, six holes were drilled under the direction of I. Joraleman and J. Faust on a general pattern previously laid out by me (Map 549). Two of these holes cut ore, the ore in one of them (No. 158) being especially attractive. There is 24.5 ft. of 9.6% Zn. and 23-1/2 ft. of 9.9% Zn. in this hole.

The geology of the area is relatively simple. A large pre-mineral north-bearing, nearly vertical dike cuts thru the rock section from Beartooth quartzite (Comancheon) down thru at least the upper part of the Pennsylvanian and doubtless down thru the Lake Valley (Hanover and Lower Blue limestone). There is gossan, ore, and other metamorphism on both contacts of the dike but to date the best ore and gossan has been found on the west contact. The structure is complicated to a minor degree by post-mineral, faulting cross-dikes. This faulting may be partly pre-mineral and influence the position of the ore.

So far as is known and probable from experience at this mine and the Central district, there are two horizons most favorable for ore at the Grant County mine. One of these is in the upper Pennsylvanian limestone and shale as shown on Map 549. The other is the Hanover and Middle Blue limestone which is especially productive at the Pewabic mine and mines of the district. Much of the upper horizon is about the Las Cruces adit and the rest not far below it. The Hanover and Middle Blue limestone averages about 800-900 ft. below the adit. The upper horizon is the most quickly available ground and, indeed, the only one in which ore is known to occur. The ore in hole 158 can be reached by 500-600 ft. of drifting south on the Las Cruces adit where about one-half of the ore is above the adit and one-half directly below it. After the adit is extended, some 1000 ft. of diamond drilling could be used to advantage to further test the upper horizon from the new opening.

Original Signed
Harrison Schmitt

HS:BC

# GRANT COUNTY MINE AND ENVIRONS
Central Mining District
New Mexico

Harrison Schmitt
August 1950

HARRISON SCHMITT
MINING GEOLOGIST
SILVER CITY, NEW MEXICO

August 8, 1950

To: Mr. J. H. Taylor, Vice Pres.
Peru Mining Company
Hanover, New Mexico

From: Harrison Schmitt

Subject: Exploration of Grant County mine and intervening ground to the Kearney and Imperial mine.

## INTRODUCTION

The excellent production record of the Kearney and Imperial claim leases (Kearney mine) and the need for developing additional reserves of zinc ore so as to protect the future requirements of the Peru Mining Co., again directs the Company's attention to undeveloped areas of Company property particularly to the ground just northeast of the Imperial lease, the partially developed Grant County mine and the ground between these two places. The ground is all owned by the company.

## GEOGRAPHY

The area to be described and the Kearney and Imperial leases lies a few hundred yards north of the new paved highway that runs between Central, New Mexico and Santa Rita. It is a little over a mile north of the open-cast pit of the Nevada Consolidated Copper Co. (subsidiary to the Kennecott Copper Co.). The Fierro branch of the Santa Fe R. R. is about a mile to the west. The topography is mountainous, but access is had to most points by fair roads, or roads easily can be constructed by bull-dozer. The mean annual rainfall is around 16 inches. There is a moderate growth of typically pinon pine, juniper, cedar and mountain mahogany. None of this, however, is suitable for mine

timber. The climate is marked by delightfully cool summers when much of the precipitation occurs. The winters are moderate with some snow and temperatures seldom as low as zero fahrenheit.

## MINING AND MILLING CONDITIONS

All mining on the Peru Mining Co. property has been done in open stopes. Some ore bodies and/or stopes have produced up to 50,000 tons without the use of timber. The ore tends to occur in ribbon-like to pod-like to equidimensional forms and is mined by benching and/or milling.

The ore is hauled about one mile to a siding and loading platform on the Santa Fe railroad. From there it is transported by gondola to Deming where it is milled in the Company's mill of 1000 tons capacity.

The ore is sulphide in character. Zinc is the predominating metal with minor lead, copper and silver. Crushing and grinding requires considerable power but high recoveries, usually over 90 per cent are obtained by the flotation process. The grade of the zinc concentrate varies from 53 to 57 per cent.

## GEOLOGY

A detailed review of the local geology appears unnecessary for this has been done in many recent reports and publications. The district columnar section is given below:

| Age | Local Name | Character | Thickness in Ft. |
|---|---|---|---|
| Cretaceous | Colorado formation | shale & sandstone | 1000+ |
| Comancheon | Beartooth Qt. | quartzite | 30-100 |
| Permian | Abo | red shale & sandstone | 0-200+ |
| Pennsylvanian | Upper Blue | limestone & shale | 850 |
| " | Parting shale | sandy shale | 15-30 |
| Upper Mississippian | Hanover limestone | crinoidal limestone | 110 |
| " | Lower Blue | limestone & shale | 200 |
| Devonian | Augen Beds | shale & limestone | 100 |
| " | Percha shale | fissle shale | 200 |
| Silurian (Niagaran) | Fusselman | dolomite | ±50 |
| Ordovician to Cambrian | | magnesian limestone dolomite | ±1000 |
| | | Total | ±3600 |

These formations are intruded by numerous Cretaceous pre-ore sills, sheets and laccoliths of diorite porphyry. In the Kearney mine area a thin sill of sodic rhyolite is usually found intruded into the Parting shale. All the above rocks are cut by pre and post-ore faults and dikes intermediate in composition.

There is moderate open folding in the area. Near the Hanover intrusive, however, the folding is tight and is accompanied by over-thrust faulting. The mineralization may be characterized as moderate to high temperature in origin. It is commonly associated with abundant garnet, pyroxene and other silcates, and magnetite and pyrrhotite.

The ore replaces the limestone beds almost exclusively. It usually occurs along dike and other intrusive contacts and along faults and fractures. In the Kearney-Grant County area it usually is found near dikes and irregular masses of porphyry.

Most of the production of zinc ore from the Kearney and Imperial leases has come from the 110 ft. Hanover (crinoidal) Mississippian limestone. In the Grant County mine to date it has come from the upper 200 ft. of the 850 foot Pennsylvanian limestone and shale series. The ore replaces limestone beds along the dikes and fissures as massive irregular to pod-like and ribbon-like ore bodies. Where ore has been mined along a given high-angle structure in the upper series of limestones, exploration in depth has usually disclosed ore in the Hanover limestone below, but seldom in the 200 ft. dark gray Mississippian next below and rarely in commercial quantities in the still older dolomitic limestone at still greater depths below the 200 ft. Devonian Percha shale.

## RECOMMENDED DEVELOPMENT

Three maps are submitted: a surface claim map showing the areas that have produced ore, a longitudinal vertical projection of the Grant County mine, and a vertical section from the Imperial lease to the south part of the Grant

County mine. These present sufficient map data for an appraisal of the problem on hand which is briefly how best to develop the Grant County mine and the area between it and the Kearney mine.

The area just northeast of the Imperial lease is marked at the surface by prominent magnetite and gossan. Close by on the lease itself similar surface features are directly above extensive ore bodies.

Farther northeast, just north of the Kennecott property line, and towards the Grant County mine dike (see surface map) is an area which has moderate possibilities. This is indicated by moderate surface metamorphism, marbleization of the limestones, hornstonization of the shales and the presence of some epidote. Just south of the property line and beyond to the Kennecott open pit is found massive metamorphism associated gossans and in depth newly developed zinc ore of impressive extent in the vicinity of the Kennecott Copper Co's. new Oswaldo No. 2 shaft.

The zone along the Grant County Mine dike has excellent possibilities. 50,000 tons of ore has been mined along the north 1400 feet of contact in the upper 200 ft. of the Magdelena formation (see longitudinal projection). The south 600 feet is marked by wide surface gossans. Thus the total length of favorable dike contact is 2000 ft.

The past several years has seen more and more emphasis in the Central District on the occurrence of ore along the mineralized pre-ore dikes. In the middle part of the district most of the ore has been mined along dikes. This is especially true on the Imperial and Kearney leases which have now produced around 380,000 tons.

A development proceedure found successful in the past in this area is recommended for this project. Formal development work is preceeded by exploratory surface holes. After the preliminary "heading" development work has been done extensive underground drilling is carried out.

Four surface diamond drill holes are proposed, two (1 and 2) to explore the Grant County dike on the south end as shown on the vertical section and two others (3 and 4) to verify the depth and elevation of the various limestone horizons particularly the Hanover limestone and at the same time to check the possibilities for metamorphism and ore. The sequence of drilling should be in the order of the hole numbers.

The most feasible way to complete the development seems to be by a drift from the Imperial lease to the Grant County mine, this drift to pass just north of the Kennecott property line. The 625 level of the Kearney shaft appears to be the best level to drive because the geologic cross-section indicates that except for the first 500 ft. it should be in Hanover limestone most of the way to the Grant County mine dike and in this same limestone along the dike contact. This drift could be driven with blower type ventilation at first. If sufficient ore was found some sort of an opening to the surface along the Grant County dike would be needed. Presumably some sort of an excape-way would be required as well as a ventialtion opening, so a churn drill hole alone would not do except perhaps during a preliminary period. The principal possibilities seem to be:

(1) A 920 foot shaft from the surface down the full distance to the 625 would presumably be located on the south end of the Grant County mine.

(2) A 770 foot underground shaft from the Las Cruces adit to the 625 level. This would utilize the 140 ft. of the old Las Cruces shaft (see projection)

(3) A 770 foot combination shaft and 3 compartment raise (with hoist) this latter to connect from below. This would also utilize the old shaft.

(4) Use of the old Las Cruces shaft with extension up to surface and extension down as a shaft to the 625 level (total new footage 800).

(5) A shaft drilled from the surface or underground by coring with chilled shot. This method has been used successfully particularly at the United Verde mine.

The four diamond drill holes totaling 3720 feet of hole would cost about

$4 a foot. The main drift would be a minimum of 4000 ft. long and should not cost over $30 a foot. Underground drilling needed could total 5000 ft. and cost $2 a foot. Cross-cuts and raises needed for adequate development might total up to 1000 ft. and cost $20 a foot. The ventilation opening and escape-way may cost between $100 and $250 a foot depending upon the type of working decided upon.

Recapitulation of Approximate Costs

| | | |
|---|---|---|
| 3720 ft. of surface diamond drill hole at $ | 4 | $ 14,880 |
| 4000 ft. of main (6 x 7) drift at | 30 | 120,000 |
| 5000 ft. of underground drilling at | 2 | 10,000 |
| 1000 ft. of cross-cuts and raises at | 20 | 20,000 |
| 770 ft. of ventilation and escape-way opening | 150 | 115,500 |
| Engineering, geology, contingencies | | 19,620 |
| | Total | $ 300,000 |

CONCLUSION

The need for additional ore reserves for the Peru Mining Co., the probable long continued demand for zinc at good prices and the excellent possibilities for ore on a geological basis strongly argue for the execution of the work outlined. There has been greater local emphasis recently on the favorability of dike contacts such as those of the Grant County mine. This mine is of present principal interest for development. The geological potential for new ore in the area described seems to be as high as 500,000 tons considering the large volume of favorable undeveloped ground, the magnitude of the production to date in neighboring ground (2,000,000 tons), as well as the large blocked-out reserves such as exist on Kennecott ground immediately to the south.

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Harrison Schmitt

DMEA Form 7
(12-56)

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# PROJECT SUMMARY REPORT

By: W. R. Griswold August 29, 1957

1. Docket No. DMEA-371 (Lead-Zinc-Copper)
   Contract No. Idm-E67
   Property: Grant County Mine
   Grant County, New Mexico

   Operator: Peru Mining Company
   630 Fifth Avenue
   New York, New York.

   Operator's Property Rights: Owner

2. Contract dated July 18, 1951.

   Work Authorized

| | |
|---|---|
| 4,350 feet drifting and crosscutting @ $30.00/ft. | $130,500.00 |
| 2,200 feet diamond drilling from surface @ $4.00/ft. | 8,800.00 |
| 5,400 feet diamond drilling underground @ $3.65/ft. | 19,710.00 |
| 1,500 feet churn drilling @ $15.00/ft. | 22,500.00 |
| Equipment purchases, including electric locomotive & charger, mucking machine, Jumbo, drifters, pipe, ventube, blower and motor, etc. | 35,240.00 |
| Engineering & geology | 8,250.00 |
| Total Estimated cost of project | $225,000.00 |
| Government's participation, 50% | $112,500.00 |

Amendments

No. 1 Dated February 25, 1952.

Establishes allowable wage rates.

No. 2 Dated March 25, 1952.

Changes effective date of previous amendment from January 15, 1952 to August 15, 1951.

No. 3 Dated July 9, 1953.

Allows project recess from July 18, 1953 to November 1, 1953.

Extends completion period from two to three and a half years.

Extends repayment period from ten to twelve years.

No. 4 Dated February 1, 1954.

Continues recess period to May 1, 1954.

Extends completion period to 4 years. Repayment period extended to 15 years.

Pseudo-certification proviso included if work is not resumed.

No. 5 Dated May 19, 1954.

Continues recess period to November 1, 1954.

Extends completion period to 4½ years.

Moves forward dates for pseudo-certification.

No. 6 Dated January 10, 1955.

Recess period extended to June 1, 1955. Completion period extended to five years. Moves forward pseudo-certification dates.

Amendments (cont.)

No. 7 Dated June 23, 1955.

Continues recess period to November 1, 1955.

Extends completion period to December 18, 1956.

Rewrites pseudo-certification.

Work Completed

1801 feet drifting and crosscutting @ $33.83/ft.

912.5 feet churn drilling @ $16.30

| | |
|---|---|
| Total Revised Final Audit | $75,805.22 |
| Government's participation, 50% | $37,902.61 |

Work concluded July, 1953.

3. Audit Certification - dated July 12, 1957.

Operator's Final Report - March 28, 1957.
Field Team's Final Report - February 21, 1957.

4. Certification of Discovery or Development

Pseudo-Certification effective.

5. Comments

Work was discontinued far short of target area. Additional work could be recommended as target is still consiered favorable for a substantial tonnage of zinc ores of medium grade. The work which was done was handled in an efficient manner.

W. R. Griswold

WRG/er
Copy to: Docket
Chron.

☒ Audited 7/12/57 WORK ANALYSIS SHEET - DMEA PROJECT ☒ Actual Cost

☒ Certified PSU. Analysis as of August 15, 1957. ☐ Agreed Unit Costs

Incl. Voucher for Audited F.T. Report

Name PERU MINING COMPANY Docket No. 371X

State NEW MEXICO Commodity LEAD-ZINC-COPPER Idm-E No. 67

| OPERATION | AUTHORIZED Units | AUTHORIZED Cost | COMPLETED Units | COMPLETED Cost | NET COST |
|---|---|---|---|---|---|
| Drifting & Crosscutting | 4,350' | $130,500.00 | 1,801' | 55,203.08 | 56,115.92 |
| Raising | | | | | |
| Shafts | | | | | |
| Winzes | | | | | |
| Drilling (Specify) Diamond | 7,600' | 28,510.00 | 912.5' | 9,581.25 | 9,581.25 |
| Drilling (Specify) Churn | 1,500' | 22,500.00 | | | |
| Surface Excavation | | | | | |
| Underground Excavation | | | | | |
| Roads and Trails | | | | | |
| Operating Equipment Purchased | | 35,240.00 | | 12,989.85 | 10,108.05 |
| Surface Rehabilitation & Repairs | | | | | |
| Underground Rehabilitation | | | | | |
| New Building, Improvements, etc. | | | | | |
| Other (Specify) Engineering (Technical) | | 8,250.00 | | 1,928.00 | 1,928.00 |
| Totals | | $225,000.00 | | 79,702.18 | 75,805.22 |

Checks Final Audit

Date of Contract-July 18, 1951.
Completion date December 18, 1956.
Expiration date of Royalty Payments July 18, 1968.

Amendment No. 3-Recess and change of royalty period to 12 years.

Amendment No. 4-Completion changed to 4 years from date of contract. Recess. Pseudo-Certification. Royalty payment period changed to 15 years. Automatic termination.

Amendment No. 5-Completion changed to 4½ years

Amendment No. 6-Completion changed to 5 years. Recess. Automatic termination changed.

F.T. Final Report received-April 4, 1957.

**Proceeds from Property Disposal**

| | |
|---|---|
| Equipment purchased | $2,881.80 |
| Pipe | 620.79 |
| Track | 394.37 |
| Total | $3,896.96 |

Prepared by W. R. Hugenheed.

Amendment No. 7- Completion date-- December 18, 1956. Recess given. Pseudo-certification. Operator's Final Report--4/4/57.

7162

actual

Peru Mining Co. – New Mexico – 371.

| | | |
|---|---|---|
| 1,350' | Shaft XCS. – | + $ 130,500.00 |
| 2200' | D.D. Surface @ 4.00 | + 8,800.00 |
| 5400' | " " Undgr. @ 3.65 | + 19,710.00 |
| 1500' | Churn Drilling @ 15.00 | + 22,500.00 |
| Equip. Purchased (Includes a lot of pipe) | | + 35,240.00 |
| Engineering | | + 8,250.00 |
| | | $ 225,000.00 |

Interim Audit

| | |
|---|---|
| AF 104 | 92,797.56 |
| Exp. | 25,397.98 |
| | $ 67,399.58 Accepted Costs |

MME Form 7
(2/63)

3/10/69

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APR 1 1969

Mr. Arthur E. S. Schmid
Assistant Secretary
American Zinc Company
20 South Fourth Street
St. Louis, Missouri 63102

Re: DMA-371X (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract Idm-E67

Dear Mr. Schmid:

By the terms of the subject Exploration Project Contract, as amended, and Annex I of Amendment No. 7 thereto, all minerals mined or produced from July 18, 1951, to July 18, 1968, were subject to the Government's royalty as set forth in said contract.

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

Sincerely yours,

Harold Kirkemo (gla)

Harold Kirkemo
ACTING Chief, Office of
Minerals Exploration

cc: Director's Reading File
Economic Geology File
Branch of Budget and Finance w/cy memoranda 2/19/69 and 3/6/69
OME docket
OME Region III
Mr. Kirkemo
OME Reading File 130

GLAult/a 3-10-69

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
FEDERAL CENTER, DENVER, COLORADO 80225

Office of Minerals Exploration
Building 53 Room 200

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March 6, 1969

Memorandum

To: Chief, Office of Minerals Exploration

From: Field Officer, Region III

Subject: DMA-371X (Lead, Zinc, Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract Idm-E67

I have reviewed the Report of Royalty Review, January 1969, of the subject contract and agree with the facts stated therein.

A recent check by the U. S. Bureau of Mines Office of Minerals Resources, indicates there has been no production from the Grant County Mine, nor does it have a record concerning the Grant County Mine itself.

J. William Hasler

J. William Hasler,
Field Officer, Region III
Office of Minerals Exploration

Enclosures: 2 copies of Bureau of Mines memo

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Denver Office of
Mineral Resources

BUILDING 20
DENVER FEDERAL CENTER
DENVER, COLORADO 80225

February 19, 1969

Memorandum

To: J. William Hasler, Field Officer, Region III, U. S. Geological Survey, Denver Federal Center, Building 53, Room 200, Denver, Colorado

From: Jesse R. Wood, Jr., Project Coordinator, Office of Mineral Resources, U. S. Bureau of Mines, Denver Federal Center, Building 20, Denver, Colorado

Subject: DMA-371X (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract Idm-E67

To confirm Mrs. Ruth Nichols' telephone conversation with you, our office has no record of a Grant County Mine in Grant County, New Mexico.

I regret that we could not assist you in this matter.

Sincerely,

Jesse R. Wood, Jr.

Jesse R. Wood, Jr.
Project Coordinator

MME Form 7
(2/63)

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FEB 14 1969

Memorandum

To: Field Officer, Region III

From: Chief, Office of Minerals Exploration

Subject: DMA-371X (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract Idm-X67

Enclosed is a copy of a Report of Royalty Review issued in January 1969 on the subject contract. This report is for record purposes only; therefore, no copy is provided for the Operator. If you concur in the facts as stated in the report, two copies of a memorandum stating your concurrence should be forwarded to this office. If for any reason you do not concur, the report should be returned with your comments.

FRANK E. JOHNSON (glA)
Frank E. Johnson

Enclosure

cc: Director's Reading File
Economic Geology File
OME docket
OME Reading File
Branch of Budget and Finance w/copy report
130 (2)

GLAult/a 2-14-69

Office of Minerals Exploration
Building 53 Room 200

February 4, 1969

Memorandum

To: Mrs. Ruth Nichols, Office of Mineral Resources,
U. S. Bureau of Mines, Denver Federal Center, Building 20

From: J. William Hasler, Field Officer, Region III, U. S. Geological Survey,
Denver Federal Center, Building 53, Room 200, Denver, Colorado.

Subject: DMA-371X (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract Idm-E67

I have been requested by our Washington office to obtain figures on possible production from the subject property for the period May, 1962 to July 18, 1968.

Any assistance you can give will be greatly appreciated.

J. William Hasler

J. William Hasler,
Field Officer, Region III
Office of Minerals Exploration

cc: Chief, OME (2)
OME chron
Mr. Hasler
E67

IN REPLY REFER TO:
Office of Minerals Exploration

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

RECEIVED
JAN 30 1969
SECRETARY-LEGAL DEPARTMENT

January 28, 1969

OFFICIAL COPY
O. M. E.
RECEIVED
FEB 10 1969
INITIALS CODE
130

Mr. Arthur E. S. Schmid
Assistant Secretary
American Zinc Company
20 South Fourth Street
St. Louis, Missouri 63102

Re: DMA-371X (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract Idm-E67

Dear Mr. Schmid:

After the completion of the approved exploration work under the contract identified above, we asked to be informed about changes in the status of the property and production from it during the period of royalty obligation.

To assist you to furnish this information and to assure the accuracy of our records, please answer the questions on the back of this letter and return two copies to this office with copies of any pertinent documents.

Please advise if any ore produced from the property prior to July 18, 1968, remains as a stockpile.

Sincerely yours,

Frank E. Johnson

Frank E. Johnson
Chief, Office of
Minerals Exploration

MME Form 63
Revised 7-65

# REQUEST FOR INFORMATION ON CERTIFIED PROJECT AND PROJECT UNDER ROYALTY AGREEMENT

1. ~~Since~~ From February 20, 1968, to July 18, 1968, **has there been a change in ownership, lease, or sublease? If yes, please state details of the transaction below and provide a true or signed copy of the pertinent documents, unless they have been provided before.** Yes [ ] No [x]

During the above period, was the Lease and Option, dated September 1, 1967, between American Zinc Company and United States Smelting Refining and Mining Company in effect? If not, please explain. Yes /x/ No / /

2. ~~Since~~ From February 20, 1968, to July 18, 1968, **has there been any production from** the land subject to the contract? Yes [ ] No [x]

A. If so and it was shipped, give quantity, value, and name and address of purchaser.

| | Quantity | Value |
|---|---|---|
| | | |

B. If stockpiled awaiting sale, state quantity, grade, and location.

| Type | Quantity | | Estimated Grade | Location |
|---|---|---|---|---|
| Ore | | Tons | | |
| Concentrates | | Tons | | |
| Other | | Tons | | |

No ore produced from the property prior to July 18, 1968 remains as a stockpile.

3. Since ~~through~~ workings (see of contract), has any production been transported Yes [ ] No [ ]

If so, state quantity, value, and disposition of material.

| Disposition of Material | Quantity | Value |
|---|---|---|
| | | |

Submitted by:
American Zinc Company

Name By Arthur B. Hamed Title Assistant Secretary

Address 20 So. 4th Street Date February 6, 1969
St. Louis, Missouri

MME Form 7
(2/63)

OFFICIAL FILE COPY

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JAN 28 1969

Memorandum

To: Field Officer, Region III

From: Chief, Office of Minerals Exploration

Subject: IMA-371X (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract Idm-E67

Please request the U. S. Bureau of Mines to furnish information on possible production from the subject property for the period May 1962 to July 18, 1968, and advise.

FRANK E. JOHNSON (glc)

Frank E. Johnson

cc: Director's Reading File
Economic Geology File
OME docket
OME Reading File
130 (2)

GLAult/a 1-28-69

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 21 1962

| DATE | INITIALS | CODE |
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Building 20 - Federal Center
Denver 25, Colorado

May 17, 1962

Memorandum

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

From: Acting Field Officer, OME, Region III

Subject: DMA-571X (Lead-Zinc-Copper)
Contract Idm-E67
Peru Mining Company
(Grant County Mine)
Grant County, New Mexico

Attached is the original Report of Royalty Review on the subject property dated May 15, 1962 covering the period June 10, 1959, through May 2, 1962.

Hugh M. Connors

Attachments
HMC/lm
cc Chief, Division of Field Operations, OME
E. D. Talbert, Acting Chief
Contract Administration and Audit Division
Royalty Corres. Idm-E67
Chron

MME Form 7
(10-58)

OFFICIAL FILE COPY

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MAY 1 5 1962

Memorandum

To: Acting Field Officer, Region III

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

Subject: DMA-371X (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract Idm-567

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

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

(b) One copy for your files.

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

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

Enclosures

EDTalbert/ama 5-15-62

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

43683

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 10 1961

| DATE | INITIALS | |
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Building 20 - Federal Center
Denver 25, Colorado

May 8, 1961

Ralph C. Perkins
American Zinc, Lead and Smelting Company
1515 Paul Brown Building
St. Louis 1, Missouri

Re: DMEA-371 (Lead-Zinc-Copper)
Contract Idm E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Perkins:

Thank you for your letter of May 5, 1961 advising us that no mining has been done in the area covered by the captioned DMEA project.

The expiration date of repayment to the Government on this contract is July 18, 1968.

Please keep us advised regarding the status of the subordinated land.

Yours very truly,

signed by

Hugh M. Connors
Acting Field Officer, OME
Region III

HMC/lm
cc Chief, Division of Field Operations, OME (2)
with (2) copies of Operator's letter dated 5/5/61
Contract Corres E67
Chron

Noted for record on certified project reports.
5/10/61

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 10 1961

| DATE | INITIALS | CODE |
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# American Zinc, Lead and Smelting Company

RALPH C. PERKINS
SECRETARY AND CHIEF COUNSEL

1515 PAUL BROWN BUILDING
ST. LOUIS 1, MISSOURI

May 5, 1961

OME
DEPARTMENT OF THE INTERIOR
MAY 8 1961
REGION III
DENVER, COLORADO

Mr. Hugh M. Connors
Acting Field Officer, OME - Region III
U. S. Dept. of the Interior
Office of Minerals Exploration
Building 20 - Federal Center
Denver 25, Colorado

Re: DMEA-371 (Lead-Zinc-Copper)
Contract Idm E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Connors:

With further reference to your letter of April 18, 1961 which I acknowledged on April 25, 1961, I have now heard from Mr. J. W. Faust, who is General Manager of American-Peru Mining Company, the joint venture consisting of our company and Peru Mining Company. Mr. Faust advises that since operations on this joint venture were commenced, no mining or other work has been done in the area covered by the above captioned DMEA project.

Very truly yours,

Ralph C Perkins (dc)

Ralph C. Perkins

RCP:dc

# American Zinc, Lead and Smelting Company

RALPH C. PERKINS
SECRETARY AND CHIEF COUNSEL

1818 PAUL BROWN BUILDING
ST. LOUIS 1, MISSOURI

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O. M. E.
RECEIVED MAY 1 1961

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| | OME | |
| | DEPARTMENT OF THE INTERIOR | |
| APR 27 1961 | | 220 |
| | REGION III | |
| | DENVER, COLORADO | |

April 25, 1961

Mr. Hugh M. Connors
Acting Field Officer, OME - Region III
U. S. Dept. of the Interior
Office of Minerals Exploration
Building 20 - Federal Center
Denver 25, Colorado

Re: DMEA-371 (Lead-Zinc-Copper)
Contract Idn E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Connors:

I wish to acknowledge your letter of April 18, 1961.

I am uninformed concerning the above captioned DMEA project and the specific property which is involved. I have written to the operating people at Hanover, New Mexico to obtain the facts necessary to answer your questions and I will write you again as soon as I have obtained them.

Very truly yours,

Ralph C. Perkins

Ralph C. Perkins

RCP:dc

Selfridge (2)

OFFICIAL FILE COPY
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RECEIVED APR 21 1961

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| " | Brainard | 500 |
| | | 220 |

Building 20 - Federal Center
Denver 25, Colorado

April 18, 1961

Mr. Ralph C. Perkins
Chief Counsel
American Zinc, Lead, and Smelting Company
1515 Paul Brown Building
St. Louis 1, Missouri

Re: DMEA-371 (Lead-Zinc-Copper)
Contract Idm E67
Peru Mining Company
(Grant County mine)
Grand County, New Mexico

Dear Mr. Perkins:

About a year ago we were advised that the Peru Mining Company granted your client an undivided one-half interest in the captioned property and we are wondering if any ore has been produced from the property since that time.

By virtue of the captioned contract, royalty is due the government on all ore produced from the subordinated land.

Will you please advise the present status of the property and whether or not any ore has been mined since your client obtained the one-half interest.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer, OME
Region III

HMC/lm
cc Chief, Division of Field Operations, OME
Contract Corres E67
Chron

Form 7
56)

OFFICIAL FILE COPY

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APR 1 4 1961

Memorandum

To: Acting Field Officer, Region III

From: Chief, Division of Field Operations

Subject: DMEA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract Idm-E67

Various publications have recently carried accounts of American Zinc, Lead, and Smelting Company activities in connection with the Kearney Mine. We are not clear as to whether there is any production being made as yet. Actually, we are not at all sure that the present operating company is even aware of the Government's royalty requirements against this property. Will you kindly make whatever inquiries may be necessary and bring us up to date.

/s/ George O. Selfridge (24/3)

WRGriswold/gla
4-14-61
cc to: Director's Reading File
Review Committee
Code 500
Docket

8623

MONROE GOLDWATER
NORMAN B. KUKLIN
OLIVER T. COWAN
JAMES L. GOLDWATER
RICHARD M. GOLDWATER
LOUIS R. COLMAN
MILTON SMALL
JONATHAN B. BINGHAM
GEORGE KOSSOY

BERNARD KATZ
LEON LINER
ROBERT CONRAD
RICHARD M. FLYNN
B. AUDREY RINZLER
JULIAN J. LINDE

GOLDWATER & FLYNN
COUNSELLORS AT LAW
60 EAST 42ND STREET
NEW YORK 17, N. Y.

CABLE = GOFLYN, N. Y.
TELEPHONE MURRAY HILL 2-1411

EDWARD J. FLYNN (1913-1953)

OFFICIAL FILE COPY
O.M.E.
RECEIVED APR 1 1960

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OME
DEPARTMENT OF THE INTERIOR
MAR 30 1960
REGION III
DENVER, COLORADO

Mr. J. W. Townsend, Executive Officer, OME
Field Team, Region III
Building 20 - Federal Center
Denver 25, Colorado

Re: Docket No. DMEA 371X (Lead-Zinc-Copper)
Contract No. Idm-E67
Peru Mining Company
(Grant County Mine)
Grant County, New Mexico

Dear Mr. Townsend:

[One copy encls. recd. in Region III]

As promised in our letter to you of March 24, 1960, we are pleased to enclose herewith two photostatic copies of each of two Statutory Warranty Deeds, dated March 25, 1960, whereby Peru Mining Company has conveyed to American Zinc, Lead and Smelting Company an undivided one-half interest in and to certain properties in the State of New Mexico.

The above captioned contract by its terms covers the following patented claims: Clifford, Traders, Beryl, Ruby, Las Cruces, Edmondson, Lenore, Peacock, Florence J. and La Patrona, and the following unpatented claims: John and Dan. The patented claims are included in one of the enclosed deeds and the unpatented claims in the other.

The originals of these deeds are being sent by mail today to Mr. Ralph C. Perkins, Chief Counsel for American Zinc, Lead and Smelting Company, 1515 Paul Brown Building, St. Louis 1, Missouri.

Very truly yours,

Robert Conrad

ROBERT CONRAD
FOR GOLDWATER & FLYNN

RC:ak
Encs.

3/30/60 copy of letter & 2 Deeds to chairman op. com

STATUTORY WARRANTY DEED

PERU MINING COMPANY, a Deleware Corporation, authorized to do business in the State of New Mexico, for consideration paid, grants to AMERICAN ZINC, LEAD & SMELTING COMPANY, a Maine Corporation, an undivided one-half (1/2), interest in and to the following described unpatented lode mining claims situate in the Central Mining District, Grant County, New Mexico, the names of which and the book and page of record of the location notices whereof, in the office of the County Clerk of said County, are as follows; to-wit:

| NAME | MINING LOCATION RECORDS BOOK | PAGE |
|---|---|---|
| Dan | 36 | 598 |
| Harvey | 37 | 3 |
| Clarence C | 37 | 3 |
| John | 36 | 599 |
| Leland | 36 | 597 |
| Maggie Bell | 17 | 384 |
| Philadelphia | 4 | 176 |
| Philadelphia Extension | 18 | 97 |
| Chicago | 18 | 17 |
| Rey de Cobre | 22 | 118 |
| Marion | 29 | 21 |
| Rush | 40 | 212-13 |
| Mary Catherine #1 | 41 | 93 |

with warranty covenants, subject only to the paramount title of the United States of America.

WITNESS WHEREOF, said corporation has caused these presents to be executed by the hand of its President and attested to by its Secretary this 25th day of March, A. D. 1960.

PERU MINING COMPANY

By _____
President

ATTEST:

_____
Secretary

STATE OF NEW YORK, }
} SS.
COUNTY OF NEW YORK. }

The foregoing instrument was acknowledged before me this 25th day of March, A. D. 1960, by FRED M. ZEDER II, the President of Peru Mining Corporation a Deleware Corporation for and on behalf of said corporation.

Notary Public

NOTARY [illegible] New York
Qualified [illegible]
Commission Expires March 30, 1961

My Commission Expires:

3/30/61

# STATUTORY WARRANTY DEED

PERU MINING COMPANY, a Deleware Corporation, authorized to do business in the State of New Mexico, for consideration paid, grants to AMERICAN ZINC, LEAD AND SMELTING COMPANY, a Maine Corporation, an undivided one-half, (1/2) interest in and to the following described property situate in the County of Grant, State of New Mexico, to-wit:

1. Those certain patented lode mining claims situate in the Central Mining District, County of Grant, State of New Mexico, the names and mineral survey numbers of which are as follows:

| NAME | MINERAL SURVEY NO. |
|---|---|
| Floyd | 1993 |
| Florence J | 1994 |
| Beryl | 1994 |
| Exa | 1995 |
| La Patrona | 1995 |
| Ruby | 1995 |
| Las Cruces | 1995 |
| Edmonson | 1995 |
| Leonare | 1995 |
| Peacock | 1995 |
| Pewabic | 1463 |
| Result | 1463 |
| Walpool | 1463 |
| Chapin | 1726 |
| Clifford | 1727 |
| Traders | 1728 |
| Toonot | 1729 |
| Monarch | 1730 |
| Bond | 1731 |
| Hate No. 1 | 1732 |
| Hate No. 2 | 1733 |
| Hate No. 3 | 1734 |
| Bond No. 3 | 1735 |
| X Ray | 1736 |
| Bond No. 2 | 1737 |
| Hurley | 1738 |
| Mary No. 1 | 1739 |
| Mary No. 2 | 1740 |
| Cumberland | 961 A |
| Congo | 961 B |
| Sumpter | 961 C |
| Laura R | 961 D |
| Copper Carbonate | 961 E |

| | |
|---|---|
| Lime Mine | 961 F |
| Copper Glance | 961 G |
| Lexington | 961 H |
| Free Silver | 961 I |
| Superior | 961 J |
| Little Key | 961 K |
| Reservation | 961 L |

2. The Kearney Lode Mining Claim, Mineral Certificate No. 507, described as Lot No. 680, the United States Patent for which is of record in the office of the County Clerk of Grant County, New Mexico, in Book 29 of Deed Records at Pages 500-502.

3. All that portion of the Jersey Patented Lode Mining Claim being designated as part of Lot No. 1056, situate in the Central Mining District of the County of Grant, State of New Mexico, certified copy of the United States Patent for which is of record in the office of the County Clerk of Grant County, New Mexico, in Book 59 of Mining Patents at Page 90, described by meets and bounds as follows; to-wit:

> Beginning at corner No. 2 of said Jersey Lode Mining Claim, being the Northeast corner of said claim; running thence along line 1-2 of said Jersey Lode Mining Claim south 42° 01' west 500 feet to a point on said line 1-2; running thence north 71° 19' west parallel to line 2-3 of said mining claim 600 feet to a point on line 3-4 of said mining claim; running thence north 42° 01' east along line 3-4 of said mining claim to corner No. 3 thereof, running thence south 71° 19' east along line 2-3 of said mining claim to corner No. 2, the place of beginning, together with all the dips, spurs and angles thereof and all the metals, ores, mineral bearing quartz, rock and earth therein, and all the rights, privileges and franchises thereto incident.

4. The following described property situate in the Central Mining District of the County of Grant, State of New Mexico, described as follows, to-wit:

> Beginning at the point where the Southerly side line of said Peacock lode mining claim of Survey No. 1995 intersects the Westerly boundary line of said Section 23, T. 17 S., R. 12 W., N.M.P.M.,

from which point the Southwest corner of said Section 23 bears South 0°59' E. and is distant 1564.37 feet and from said point running along said Southerly side line of said Peacock lode mining claim in a direction North 57°0' E. 798.58 feet to the Southeast corner of said Peacock lode mining claim, identical with the Southwest corner of said Florence J. lode mining claim; thence North 56°37' E. along the Southerly side line of said Florence J. lode mining claim 596.23 feet to a point on said line which is the Northwest corner of said Liberty Bell lode mining claim; thence South 28° 52' E. along the Westerly end line of said Liberty Bell lode mining claim 599.18 feet to the Southwest corner of said Liberty Bell lode mining claim; thence North 56°38' E. along the Southerly side line of said Liberty Bell lode mining claim 1503.15 feet to the southeast corner of said Liberty Bell lode mining claim; thence north 28° 52' W. along the Easterly end line of said Liberty Bell lode mining claim 29.95 feet, more or less, to the point of intersection of said East end line of said Liberty Bell lode mining claim with the northerly boundary line of said Lot 4 of said Section 23; thence Westerly along the Northerly boundary of said lot 4 of said Section 23 111.24 feet, more or less, to the Northwest corner of said Lot 4 and thence along the Northerly boundary line of said N½SW¼ of said Section 23, 2605.91 feet, more or less, to the Northwest corner of said N½SW¼ of said Section 23 at the Quarter Corner of the West boundary line of said Section 23 and thence Southerly along the Westerly boundary line of said Section 23, 1108.92 feet, more or less, to the point of beginning.

5. The Donald Patented lode mining claim, Mineral Survey No. 1289, United States Patent for which is of record in the office the County Clerk of Grant County, New Mexico, in Book 49 of Deed Records at Page 101, excepting all those portions of said claim heretofore conveyed to various parties by the predecessors in title to party of the first part herein.

with warranty covenants.

IN WITNESS THEREOF, said corporation has caused these presents to be executed by the hand of its President and attested to by its Secretary this 15th day of March, A. D. 1960.

MONROE GOLDWATER
NORMAN B. KUKLIN
OLIVER T. COWAN
JAMES L. GOLDWATER
RICHARD M. GOLDWATER
LOUIS R. COLMAN
MILTON SMALL
JONATHAN B. BINGHAM
GEORGE KOSSOY

BERNARD KATZ
LEON LINER
ROBERT CONRAD
RICHARD M. FLYNN
B. AUDREY RINZLER
JULIAN J. LINDE

GOLDWATER & FLYNN
COUNSELLORS AT LAW
60 EAST 42ND STREET
NEW YORK 17, N. Y.

CABLE = GOFLYN, N. Y.
TELEPHONE MURRAY HILL 2 1411

EDWARD J. FLYNN 1933-1953

March 16, 1960

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 22 1960

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Mr. J. W. Townsend
Executive Officer, OME
Field Team, Region III
Building 20 - Federal Center
Denver 25, Colorado

Re: Docket No. DMA 371X (Lead-Zinc-Copper)
Contract No. Idm-E67

Dear Mr. Townsend:

Mr. J. W. Faust of Peru Mining Company, our client, has referred to us the recent exchange of correspondence between himself and you in connection with the above contract.

Both Mr. Faust and we have had a good bit of trouble in locating copies of the basic contract and the various amendments thereto. We understand that there were some seven amendments and we now have in our possession Amendment Nos. 1, 2, 3, 5, 6 and 7. We lack only Amendment No. 4, which apparently was a most important one. Would you be good enough to furnish us with a copy, at our expense, of Amendment No. 4, following which we or Mr. Faust will promptly answer, in full, queries 1 and 2 in your letter to Mr. Faust dated January 15, 1960.

Very truly yours,

ROBERT CONRAD
FOR GOLDWATER & FLYNN

RC:ak

OME

OFFICIAL FILE COPY
O. M. E.
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Building 20 - Federal Center
Denver 25, Colorado

March 2, 1960

Mr. J. W. Faust
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMA 571X (Lead-Zinc-Copper)
Contract No. Idm-867
Peru Mining Company
(Kearney mine)
Grant County, New Mexico

Dear Mr. Faust:

Since considerable time has elapsed and we have not been given the answers to questions (1) and (2) in my letter of January 15, 1960, we are calling the matter to your attention.

In your letter of January 26, 1960 you wonder just what the status of the contract is since the Government denied Peru Mining Company's last request for an indefinite suspension of work and extension of the date fixed for completion of the work. The status of the contract is clearly explained in my letter of January 22, 1960.

Regarding the extension of the contract, it is a matter of record that the Government did grant several successive amendments for requested suspension of work and extension of the completion period. The Government's position is outlined in the letter of August 13, 1956 to Mr. Joseph N. Tayler regarding the last requested extension: Until the price of zinc and the cost of mining have been adjusted to justify exploration * * * . We believe that Peru Mining Company was dealt with most leniently in the matter of excessive recess periods extensions, and extensions of the date fixed for completion of the work.

We will appreciate your early reply in providing answers to questions (1) and (2) of my letter of January 15, 1960.

Very truly yours,

Original signed by

J. W. Townsend
Executive Officer, GME
Field Team, Region III

JWT/ms

cc: Peru Mining Company
415 Chrysler Bldg
New York, New York

cc: Chmn Op. Comm (2)
Royalty corres
Chron

MME Form 7
(10-58)

OFFICIAL FILE COPY

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| 2/25 | Drewes | 500 |
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FEB 26 1960

**Memorandum**

**To:** Executive Officer, OME Field Team, Region III

**From:** Chairman, Operating Committee, OME

**Subject:** Docket No. DMEA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

It would appear that you have had nothing further from the cited company since their letter to you of January 26. If such is the case, we suggest you advise them that the "status of the contract" is clearly explained in your January 22 letter.

Mr. Faust seems inclined to take refuge under the pretext "your agency refused to give us the extension asked for." It might be well to advise him that the Government actually did grant five successive amendments for requested extensions; furthermore, that their last request was for an additional extension "until the price of zinc and the cost of mining work has been adjusted to justify exploration * * * ." In our letter of August 13, 1956, to Mr. Jos. H. Taylor, vice president, we outlined the Government's position. Certainly, no operator was ever dealt with more leniently in the matter of successive recess periods.

(S)
George C. Selfridge (2/26)

APPROVED:

P. F. Yopes (2/26)
Member, Bureau of Mines

Harold Kirkemo (2/26)
Member, Geological Survey

WRGriswold/gla 2-25-60
cc to: Director's Reading File
Operating Committee
Docket
Chron

43683

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

January 26, 1960

OME
DEPARTMENT OF THE INTERIOR
JAN 28 1960
REGION III
DENVER, COLORADO

RE: Docket NO. DMA 371X(Lead-Zinc-Copper)
Contract No. Idm-E67
Peru Mining Company
(Kearney Mine)
Grant County, New Mexico

Mr. J. W. Townsend
Executive Officer, OME
Field Team, Region III
Building 20 - Federal Center
Denver 25, Colorado

Dear Mr. Townsend:

I am in receipt of your letter of January 22nd. I am wondering just what the status of the contract is, due to the fact that your agency refused to give us the extension asked for and due to the fact that the project is but little more than half completed.

In answer to your question No. 3, in the letter of January 15, I see no reason for not advising you that we were shut down during the entire period from January 1, 1959 to January 31, 1959. In October of 1959 we started a diamond drilling program which is still in progress.

Before I will answer question 1 and question 2, I will await clearance from our New York office, which incidently has been moved to: 415 Chrysler Building.

Very truly yours,

PERU MINING COMPANY

J. W. Faust
J. W. Faust
Vice President

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Fred M. Zeder II, President

1/28/60 Copy sent to Chairman (2)

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O. M. E.
RECEIVED JAN 25 1960

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Building 20 - Federal Center
Denver 25, Colorado
January 22, 1960

Mr. J. W. Faust
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMA 371X (Lead-Zinc-Copper)
Contract No. I4m-E67
Peru Mining Company
(Kearney mine)
Grant County, New Mexico

Dear Mr. Faust:

Receipt is acknowledged of your letter of January 19, 1960 in reply to, but not supplying the information requested in my letter of January 15, 1960.

Our project files were closed on the work provisions of the contract and related matter resolved as you state in your letter; however, the provisions of Amendment No. 4 to the contract, as further amended by Amendments No's. 5, 6 and 7, establishes the Government's rights to percentage royalty on any production from the land described in Article 2 of the contract form for a period of 17 years from the date of the contract, or until July 18, 1968 unless the total amount of Government contribution to the costs of the work is repaid prior to that date.

It is my belief that the information requested regarding the current status of the property is in accord with the provisions of the contract, especially Article 15 of the contract form; therefore, it will be appreciated if you will supply the information requested in my letter of January 15, 1960 so that our records can be made current to the close of year 1959.

Very truly yours,

Original signed by

J. W. Townsend
Executive Officer, OME
Field Team, Region III

cc: Peru Mining Company
630 5th Avenue
New York City, New York

JWT:ltm
cc: Chmn. Op. Comm. (2)w/cpy Faust's
Roy. Corres. E67 )ltr. 1/19/60
Chron.

MINE: HANOVER, N. M

MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

January 19, 1960

OME
DEPARTMENT OF THE INTERIOR
JAN 21 1960
REGION III
DENVER, COLORADO

Re: Docket No. DMA 371X (Lead-Zinc-Copper)
Contract No. Idm-E67
Peru Mining Company
(Kearney Mine)
Grant County, New Mexico

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RECEIVED JAN 25 1960

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Mr. J. W. Townsend, Executive Officer, OME
Field Team, Region III
Building 20 - Federal Center
Denver 25, Colorado

Dear Mr. Townsend:

Your letter of January 15th has been received.

On August 12, 1957, Mr. E. N. Harshman, Acting Executive Officer, wrote me stating that the review of fiscal records indicated that we owed some $32.48. This check was sent on August 19, 1957, our check number 1060. Theoretically, this amount should have cleared your books as far as our account is concerned. The letter from Mr. Harshman states that upon receipt of this amount of money that your office would then be in a position to close your files on this account. I assume that this has been done.

If you will check your files on this contract, you will find that we went through the necessary advertising procedure, etc. and finally submitted our bid in the amount of $3,896.96 in the liquidation of the jointly owned equipment. This bid was accepted by your Department, but our check was not sent because at the time our company had a substantial credit balance due to payments that had not been made by the Government. In my letter of March 28, 1957, we chose that the matter of reimbursement to the Government be deferred pending the release of Certificate and Report of Audit on this contract. This particular audit included the $3,896.96 that we bid and showed that we owed the balance of $32.48 mentioned above.

Due to the fact that our request for extension had been denied and due to the fact that your files have been closed on this account, I am under the impression that any further work, reports, etc., would have to be done under a new contract.

Very truly yours,

PERU MINING COMPANY

J. W. Faust
Vice President

JWF:F
cc: Mr. Fred M. Zeder, II, President

OFFICIAL FILE COPY
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Building 20 - Federal Center
Denver 25, Colorado
January 15, 1960

Mr. J. W. Faust
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA 371X (Lead-Zinc-Copper)
Contract No. Idm-E67
Peru Mining Company
(Kearney mine)
Grant County, New Mexico

Dear Mr. Faust:

We have been informed that the properties of Peru Mining Company at Silver City, New Mexico are being, or will be developed under a newly organized joint venture of two companies.

We will appreciate your advice as follows:

(1) Is the land subordinated under Contract Idm-E67 included in the proposed development, if so, please advise the name under which the new joint venture will operate.

(2) Has the land subordinated under the DMEA Contract been transferred from Peru Mining Company to the joint venture, if so, please forward two true copies or photostats of any instrument that was executed to effect the transfer.

(3) Please advise the extent of operations and/or production from the subordinated land during the period from January 1, 1959 to December 31, 1959.

Your prompt attention in supplying the requested information will be greatly appreciated.

Very truly yours,

Original signed by

J. W. Townsend
Executive Officer, OME
Field Team, Region III

JWT:ltm
cc: Chmn. Op. Comm.(2)
Roy. Corres. E67
Chron.

cc: Peru Mining Company
630 5th Avenue
New York City, New York

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
224 New Customhouse
Denver 2, Colorado

August 23, 1957

Memorandum

To: Chairman, Operating Committee, DMEA

From: DMEA Field Team, Region III

Subject: Docket No. DMEA 371X (Lead-Zinc), Contract No. Idm-E67, Peru Mining Company (Grant County mine), Grant County, New Mexico

There follows information to supplement the Field Team's final report, dated April 2, 1957.

The Operator has rendered a check in the amount of $32.48 as refund of overpayment. Therefore, we have today closed our files on the subject project in conformance with the Audit Certificate and Audit Report by the Contract Administration and Audit Division, DMEA, dated July 12, 1957.

The acceptable exploration work completed under the contract consisted of 1,801 feet of drifting and 912.5 feet of churn drilling, at a total accepted cost of $75,805.22, toward which the Government contributed 50%, or an amount of $37,902.61.

J. W. Townsend
Alternate Acting Executive
Officer

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DMEA
RECEIVED AUG 26 1957

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224 New Customhouse
Denver 2, Colorado

August 23, 1957

Mr. J. W. Faust, General Manager
Peru Mining Company
Box 309
Silver City, New Mexico

Re: Docket DMA-371X, (Lead-Zinc-Copper)
Contract Idm-E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Faust:

Your letter of August 20, 1957, has been received in this office, together with Company Check No. 1060, in the amount of $32.48, payable to Defense Minerals Exploration Administration, as reimbursement to the Government for overpayment on DMEA Contract Idm-E67. We appreciate your prompt attention in the matter.

Yours very truly,

Original signed by
J. W. TOWNSEND
J. W. Townsend
Alternate Acting Executive Officer
DMEA Field Team, Region III

JDC:hmh
CC: Chmn. Op. Comm. (2)
Harshman
DMEA, Tucson
Emerick
Corres.file, Reg. III
Townsend
Chron

OFFICIAL FILE COPY
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224 New Customhouse
Denver 2, Colorado

August 23, 1957

Memorandum

To: T. A. Christensen

From: Alternate Acting Executive Officer, DMEA Field Team, Region III

Subject: Docket DMA-371X (Lead-Zinc-Copper) Contract I6m-E67
Peru Mining Company (Grant County mine)
Grant County, New Mexico - Refund of Overpayment and Final Settlement of the Account

Enclosed is Peru Mining Company's check No. 1060 in the amount of $32.48, payable to Defense Minerals Exploration Administration, as refund of overpayment to the company by the Government. Also enclosed is a letter of transmittal dated August 20, 1957, from the Operator.

This constitutes final settlement of the account which is in accordance with the Audit Certificate and Audit Report by the Contract Administration and Audit Division, dated July 12, 1957.

Basis for Final Settlement

| | | |
|---|---|---|
| Total Accepted Cost | | $75,805.22 |
| Government participation at 50 percent | | 37,902.61 |
| Total Prior payments | $37,935.09 | |
| Refund of Overpayment | 32.48 | |
| Net Payment to the Operator | | 37,902.61 |
| Balance | | $ 0.00 |

Enclosure
JBC:hsh
cc: Chem. Op. Corr. (2)
Harshman
DMEA, Tucson
Emerick
Corres. file, Reg. III
MP-104 file, Reg. III
Final Report file,
Townsend
Chron
) w/copy of Oper. letter of 8/20/57

Original signed by
J. W. TOWNSEND
J. W. Townsend

MINE: HANOVER, N. M.

MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

August 20, 1957

Re: Docket NO. DMEA 371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Company
(Grant County Mine)
Grant County, New Mexico

Mr. E. N. Harshman, Acting Executive Officer
DMEA Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Harshman:

Enclosed please find check in the amount of $32.48 which will close our records on this contract.

Very truly yours,

PERU MINING COMPANY

J. W. Faust

J. W. Faust
General Manager

JWF:F

Enc.

DMEA
DEPARTMENT OF THE INTERIOR
AUG 22 1957
REGION III
DENVER, COLORADO

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224 New Customhouse
Denver 2, Colorado

August 12, 1957

Mr. J. W. Faust, General Manager
Peru Mining Company
P. O. Box 309
Silver City, New Mexico

Re: Docket No. DMEA 371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Faust:

Reference is made to your letter of March 28, 1957, relative to liquidating the Government's interest in the jointly owned property acquired under the Contract and final settlement of the account.

The Audit Certificate and Audit Report of allowable contract expenditures by the Contract Administration and Audit Division, DMEA, dated July 12, 1957, which was approved for release August 12, 1957, indicate total valid payment to your Company of $37,902.62 Government contribution to the costs of work performed under the Contract.

A review of fiscal records indicates that payments to your Company to date amount to $37,935.09. The difference between the two amounts indicates an overpayment to your Company of $32.48. Therefore, we will appreciate your rendering a check in the amount of $32.48, made payable to the Defense Minerals Exploration Administration, and forwarding it to this office; upon receipt of which we will then be in a position to close our files on this account.

JWF:prl

cc: Chmn. Op. Comm. - 2
Harshman
DMEA/Tucson
Emerick
Townsend
Corres. file
Chron.

Very truly yours,

E. N. Harshman
Acting Executive Officer
DMEA Field Team, Region III

DMEA Form 7
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AUG - 8 1957

Mr. Donald T. Finch
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

Re: Audit Report
Peru Mining Company
Contract No. Idm-E67
Docket No. DMEA-371X

Dear Mr. Finch:

Your Audit Report and Certificate covering the above-cited project are acceptable and normal distribution may be effected.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

JLChambers/wb
August 7, 1957

Copy to: Docket
Admr. Reading File
Mr. Chambers

8623

DMEA Form 7
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JUL 16 1957

Mr. Donald P. Finch
DMEA Auditor
224 New Customhouse
Denver 2, Colorado

Re: Peru Mining Company
Contract No. Idm-467
Docket No. DIV-371X
(Lead-Zinc-Copper)

Dear Mr. Finch:

I refer to your letter of July 2, 1957, in regard to the above-cited contract.

I think you have used good judgment in handling this case and I am in accord with the decision made by you as related in your letter.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

JLChambers/ama
July 16, 1957

Copy to: Docket
Admr. Reading File
Mr. Chambers

8623

224 New Customhouse
Denver 2, Colorado

AIR MAIL

June 17, 1957

OFFICIAL FILE COPY

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Memorandum

To: T. M. Romslo

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 371X (Lead-Zinc) Contract Idm-E67, Peru Mining Company (Grant County mine) Grant County, New Mexico

An on-site audit of the subject account has been scheduled to begin June 26, 1957.

Please arrange to meet Mr. Donald Finch, DMEA Auditor, in Silver City the evening of June 25, 1957. Mr. Finch plans to drive down and will stop at the Clark Court on the east edge of town on Highway 260, or if there is no vacancy at the Court, he will stop at the Murray Hotel.

The proposed audit and allowability or nonallowability of certain charges was discussed with the Washington office by Mr. Finch on a recent visit there. Please give him all necessary assistance and support.

Please acknowledge receipt of the foregoing instructions.

Original signed by
W. H. KING

W. H. King

JWT:jy
cc: Chm. Op. Comm. (2) )
Harshman )
Finch )w/copy of Operator's
Townsend ) ltr. of 6-14-57
Corresp. E67
Chron.

MINE: HANOVER, N. M.

MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

June 14, 1957

DMEA
DEPARTMENT OF THE INTERIOR
JUN 17 1957
REGION III
DENVER, COLORADO

Re: Docket No. DMEA 371X (Lead-Zinc
Contract No. Idm-E67
Peru Mining Company
(Grant County Mine)
Grant County, New Mexico

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Mr. W. H. King
Executive Officer, DMEA
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. King:

As per your letter of June 12th, 1957, we will expect an on-site audit of our contract No. Idm-E67 June 26, 1957.

Very truly yours,

PERU MINING COMPANY

J. W. Faust

J. W. Faust
General Manager

JWF:F

224 New Customhouse
Denver 2, Colorado

June 12, 1957

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Mr. J. W. Faust, General Manager
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA 371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Faust:

An on-site audit of expenditures pertaining to Contract No. Idm-E67 has been tentatively scheduled to begin the morning of June 26, 1957.

Please advise by return mail as to whether or not that date will be satisfactory to begin the review of the accounting records by Mr. Donald T. Finch, Auditor, Contract Administration and Audit Division, DMEA.

Very truly yours,

W. H. KING
W. H. King
Executive Officer, DMEA
Field Team, Region III

JWT:prl

cc: Chmn.Op.Comm.-2
Donald T. Finch
Harshman
Emerick
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DMEA Form 7
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MAY 28 1957

Mr. Donald T. Finch
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

Re: Peru Mining Company
Docket No. DMA-371
Contract No. Idm-E67

Dear Mr. Finch:

I have been rather negligent in replying to your letter of April 10, 1957, in regard to the above-cited project.

It is my recollection, however, that we talked this matter over and that we agreed that no exploration work after the termination of the contract could be recognized by the Government for participation in costs. It is my further understanding that the Government would participate in the exploration costs of all work performed while the project was in active status provided that such work met the specifications of the contract or was so corrected at the expense of the company before engineers' final report. In other words, if 797 feet of the churned drill hole was performed before the expiration of the contract, but part of it did not meet the specifications thereof, if the company later enlarged or redrilled a part of the hole prior to engineers' final report and at its own expense, the entire 797 feet could be accepted. No part of the hole, however, could be accepted which had not been drilled prior to the termination of the contract.

Are we in agreement?

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

JLChambers/wb
May 28, 1957

Copy to: Docket
Admr. Reading File
Mr. Chambers

8623

224 New Customhouse
Denver 2, Colorado

April 10, 1957

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Mr. J. L. Chambers, Chief
Contract Administration and Audit Division
Defense Minerals Exploration Administration
Washington 25, D. C.

Re: Peru Mining Company
Docket No. DMA-371
(Lead-Zinc-Copper)
Contract No. Idm-E67

Dear Mr. Chambers:

Please refer to your letter April 8, 1957, concerning final audit of the subject project.

The amount of accepted costs recommended by the Field Team in its memorandum dated April 2, 1957, is composed of the following components:

| | |
|---|---|
| Accepted costs per audit report dated March 20, 1953 covering period ending December 31, 1952 | $67,399.58 |
| Add: | |
| Project costs for period January 1, 1953 to January 25, 1953 (Subject to final audit) | 2,721.35 |
| Reinstatement of 797.5 Ft. Churn Drill Hole @ $10.50 (Suspended by audit) | 8,373.75 |
| Reinstatement of 115 Ft. Churn Drill Hole @ $10.50 (Disallowed by Certifying Officer November, 1952 and included in disallowance of $16,927.42) | 1,207.50 |
| Total per Field Team Memorandum April 2, 1957 | $79,702.18 |

Shortly before Mr. Traver's death we had a discussion of the reinstatement items outlined above. His position, as I understood it, was that the original purpose of the churn drill hole was to provide ventilation, and since the Operator had completed the hole in such a manner as to fulfill its original purpose, the maximum allowable cost of $10.50 per foot under the provisions of the approved subcontract should be allowed. At that time I

did not express an opinion because I had not reviewed the files, and further, I felt the matter was one for Engineering and Administrative decision. After an office review of the matter, I still feel the matter is primarily an administrative problem for the following reasons:

1. The project contract was terminated under the provisions of Amendment No. 7 when the Operator failed to resume project work by November 1, 1955.

2. According to the Operator's final engineering and geologic report dated March 28, 1957, the churn drill hole was not completed as an effective means of ventilation until March 24, 1956.

It is possible that the fact the churn drill hole was completed after the effective life of the contract and too late to be of any apparent benefit to the exploration project, might have some bearing on an administrative decision concerning the acceptability of the item.

I have assumed an on-site audit of the Operator's project operations for January, 1953, will be mandatory because documentation has been waived. This on-site audit is tentatively scheduled in May, immediately after my return from the scheduled conference at Washington. Earlier scheduling has not appeared feasible because of the extremely inclement road conditions existing this Spring in the area between Denver and Silver City.

I shall appreciate your discussing this problem with me while I am in Washington.

Sincerely,

Donald T. Finch

Donald T. Finch, Auditor

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APR 8 - 1957

Mr. Donald T. Finch
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

AIR MAIL

Re: Peru Mining Company
Docket No. DMA-371
Contract No. Idm-E67

Dear Mr. Finch:

It would seem to me that the time has come to make a final audit of the Peru Mining Company, contract cited above, and to make a determination on at least one very important part of the work. According to our records the Certifying Officer suspended approximately $17,000.00 worth of claims, most of this, if not all of it, related to the ventilation drill hole of some 900 feet. I believe the suspension was first made because the drill hole didn't bottom at required size. Information now indicates that the bottom of the drill hole has been enlarged and that the company has extended a crosscut to connect with the ventilation hole. The Washington office would like to have this project audited for final settlement not later than the last of May. For this reason I thought it was fair to all concerned to get your ideas on whether the suspension of the cost of the drill holes should constitute a disallowance or whether you have arrived at the idea that the cost of it should be shared by the Government.

One reason this question is posed to you is the fact that apparently the Field Team recommends payment, according to their memorandum of April 2, 1957, to the Operating Committee.

I shall be glad to hear from you on this matter giving me full discussion of your viewpoint as to the acceptance of this particular item.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/JLChambers/wb
April 8, 1957

Copy to: Docket
Admr. Reading File
Mr. Chambers

8623

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
224 New Customhouse
Denver 2, Colorado

April 2, 1957

| OFFICIAL FILE COPY DMEA RECEIVED APR 4 1957 | | |
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Memorandum

To: Chairman, Operating Committee, DMEA

From: DMEA Field Team, Region III

Subject: Docket No. DMEA 371X (Lead-Zinc), Contract No. Idm-E67, Peru Mining Company (Grant County mine), Grant County, New Mexico - FINAL REPORT

Enclosed are the following final reports pertaining to operations under the subject Contract:

1. Original and one copy of the Operator's final report.

2. Original and three copies of a joint final engineering and geologic report, dated February 21, 1957, by W. L. Emerick, Geologist, Geological Survey, and T. M. Romslo, Mining Engineer, Bureau of Mines.

The Contract was terminated under the provisions of Amendment No. 4, as amended, in turn, by Amendments Nos. 5, 6, and 7, since work was not resumed by the Operator on or before November 1, 1955. The Government denied the Operator's request for a further extension of the date fixed for the end of the suspension of operations.

Final payment to the Operator is deferred pending release of a Certificate and Report of Audit by the Contract Administration and Audit Division, DMEA.

The acceptable exploration work completed consisted of 1801 feet of drifting and 912.5 feet of churn drilling, at a total cost of $79,702.18 tentatively accepted, but subject to deduction of liquidation of the Government's interest in jointly owned property acquired under the Contract and final audit of the Operator's accounts. Under the provisions of the Contract, the Government will contribute 50% of the total accepted cost.

Repayment of the amount of the Government's contribution to the cost of the exploration work is established under the provisions of Amendment No. 7, actual Certification under the provisions of the Contract being waived.

J. W. Townsend
Alternate Acting Executive Officer

Enclosures

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224 New Customhouse
Denver 2, Colorado

April 2, 1957

Memorandum

To: T. H. Brading

From: Alternate Acting Executive Officer, ~~DMEA~~ Field Team, Region III

Subject: Docket No. DMEA 371X (Lead-Zinc), Contract No. Idm-E67, Peru Mining Company (Grant County mine), Grant County, New Mexico

The subject Contract was terminated under the provisions of Amendment No. 4, as amended, in turn, by Amendments Nos. 5, 6, and 7, since work was not resumed by the Operator on or before November 1, 1955.

All work was completed on an actual cost basis.

The basis for liquidating the Government's interest in the jointly owned property acquired under the Contract has been approved and the Operator has rendered a final engineering and geologic report as required by the Contract. Therefore, final settlement of the account is in order, contingent upon release to this office of Certificate and Report of Audit by the Contract Administration and Audit Division.

Form MF-104, "Operator's Monthly Report and Voucher," for the month of January, 1953, constitutes the final accounting report to be submitted by the Operator.

Original signed by
J. W. TOWNSEND

J. W. Townsend

JWT:prl
cc: Chairman, Op. Comm, (2)
Marshman
Townsend
Corres. file
Chron.

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

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# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

March 28, 1957

Operations Final Report

Re: Docket DMEA 371-X (Lead-Zinc)
Contract Idm-E67
Peru Mining Company
(Grant County Mine)
Grant County, New Mexico

DMEA
DEPARTMENT OF THE INTERIOR
APR 1 - 1957
REGION III
DENVER, COLORADO

Mr. W. M. Traver, Executive Officer
DMEA Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Traver:

Final engineering and geological report:

The Grant County Mine is situated in the Central Mining District of New Mexico. Immediately West is the Pewabic Mine and immediately Southwest is the Kearney Mine. Both of these mines have been operated successfully for years by the Peru Mining Company. Most of the ore in these mines is found in the Mississippian Limestone just under the Pennsylvanian Parting Shale. This limestone is called the Hanover or Crinoidal Limestone. For a number of years the possibilities of zinc ore bodies in the Hanover Limestone, under the Grant County Mine, have been discussed. Prospecting the Hanover under the Grant County Mine had been delayed because of its depth below the surface.

In 1929 some short hole diamond drilling was done in the upper limestones, but not until 1935-36 did the drilling penetrate to the depth necessary to prospect the Hanover Limestone. In 1939 more shallow drilling was done, opening up a small amount of ore, part of which has been mined out prior to the starting of this contract. In 1951 four deep holes from the surface and two from underground were drilled. This information was enough to create an active interest and finally on July 18, 1951 the Government participation contract was signed. The first work started July 23rd, 1951. This consisted of a drift from the Kearney Mine workings on the 625 Level. The plan was to drive this drift East until it intersected the Grant County dike which is the mineralizer for this area, then drive North along the dike to an area under the old workings.

Under this contract, 1,895 feet of drifting and cross cutting was done and a twelve inch ventilation churn drill hole was completed to 912½ feet. The Government paid roughly half of the cost of drifting and a portion of the cost of the churn drill hole. The actual cost of this churn drill hole was $38,229.17, of which the Government only allowed $16,927.42. The cost of this churn drill hole was far greater than

was originally estimated. At first no contractor was even interested in drilling this hole. The local contractors did not want the contract because of the nature of the rock and the larger contractors did not want to bid because of the relatively low footage involved. A contractor was finally induced to do the work but was unable to finish the hole. A second contractor was obtained in 1956 and finally finished the hole to the 625 level, maintaining a twelve inch diameter hole. Connection to this hole was made March 24, 1956, and (at 1211.3N, 2432.0E) was the final work on this project.

The drift started out in the Mississippian Lower Blue Limestone and soon entered the Mississippian Hanover (Crinoidal) Limestone. Little or no alteration was observed either at the contact between the limestones or along fractures that were cut by the drift. Occasionally small amounts of iron stain or manganese stain were observed. Two short diamond drill holes were drilled upward along the strongest of these fractures but only a small amount of garnet and other silicates was encountered at the contact of the Hanover Limestone and the Pennsylvanian Parting Shale, under which most of the ore bodies can be expected to be found.

The total cost of this project was $112,146.56. This includes the extra cost of the churn drill hole, the cross cut to the churn drill hole on the 625 Level and the cost of the two short diamond drill holes. Of this amount the Government has allowed $79,702.18 (from your letter of July 12, 1956) subject to the final audit. The total drift advance footage on this project was 1,895.0 feet.

| | | Feet Advance | Actual Cost | Per Foot | Allowed Cost | Per Foot |
|---|---|---|---|---|---|---|
| (1) | Advance thru Dec. 31, 1952 | 1,715.0 | $67,496.39 | $39.36 | $67,399.58 | $39.30 |
| (2) | Advance Jan. 1 - Jan. 31, 1953 | 86.0 | 2,721.35 | 31.64 | 2,721.35 | (3) 31.64 |
| (3) | Advance Mar. 1 - Mar. 24, 1956 | 94.0 | 2,820.00 | 30.00 | 2,820.00 | (3) 30.00 |
| | (Crosscut to connect to churn (drill Hole) | 1,895.00 | $73,037.74 | $38.54 | $72,940.93 | (3) $38.49 |
| (1) | Churn Drill Hole | 912.5 | 38,229.17 | 41.89 | 16,927.42 | 18.55 |
| (2) | Two Diamond Drill Holes | 241.0 | 879.65 | 3.65 | 879.65 | 3.65 |
| | | | $39,108.82 | | $17,807.07 (3) | |
| | Grand Total | | $112,146.56 | | $90,748.00 | |

(1) From Auditors Report
(2) From your letter of July 12, 1956
(3) Not as yet checked by auditor or finance officer

You will note that the total allowed cost (subject to audit) is only $90,748.00 while the actual cost was $112,146.56. A major portion of this difference is in the cost of the churn drill hole. This churn drill hole, along with the balance of the

work done under this contract, was done as economically as possible under the circumstances and so I urge that every consideration be given in allowing more of this excess in cost.

We are very sorry that this project could not be completed because of the economic situation. The present price of zinc just does not allow the expending of our limited resources in long range development.

Very truly yours,

PERU MINING COMPANY

J. W. Faust

J. W. Faust
General Manager

JWF:F

DRILL HOLE LOG

Type: Diamond Bit: EX Area: 625-1G Date Start: May 8, 1956 No. A-361
Date Stop: May 14, 1956

Coordinates
N 1628.5 E. 2941.0 Elev. 5952.5 Bear. N 57E Inc. + 72°

| From | To | Interval | Recovery | Character | Remarks |
|---|---|---|---|---|---|
| 0 | 111 | 111 | 103 | White crystalline limestone | Hanover Limeston |
| 111 | 127 | 16 | 5½ | Highly altered by garnet, epidote and silicates. Iron stained | Parting Shale? |
| 127 | 130 | 3 | 1 | Highly altered gouge. Epidote and Calcite | |
| 130 | 136 | 6 | 4½ | White sill. Some epidote along contact | Sill |

Bottom @ 136 feet.

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Logged By: Robert F. Greene

DRILL HOLE LOG

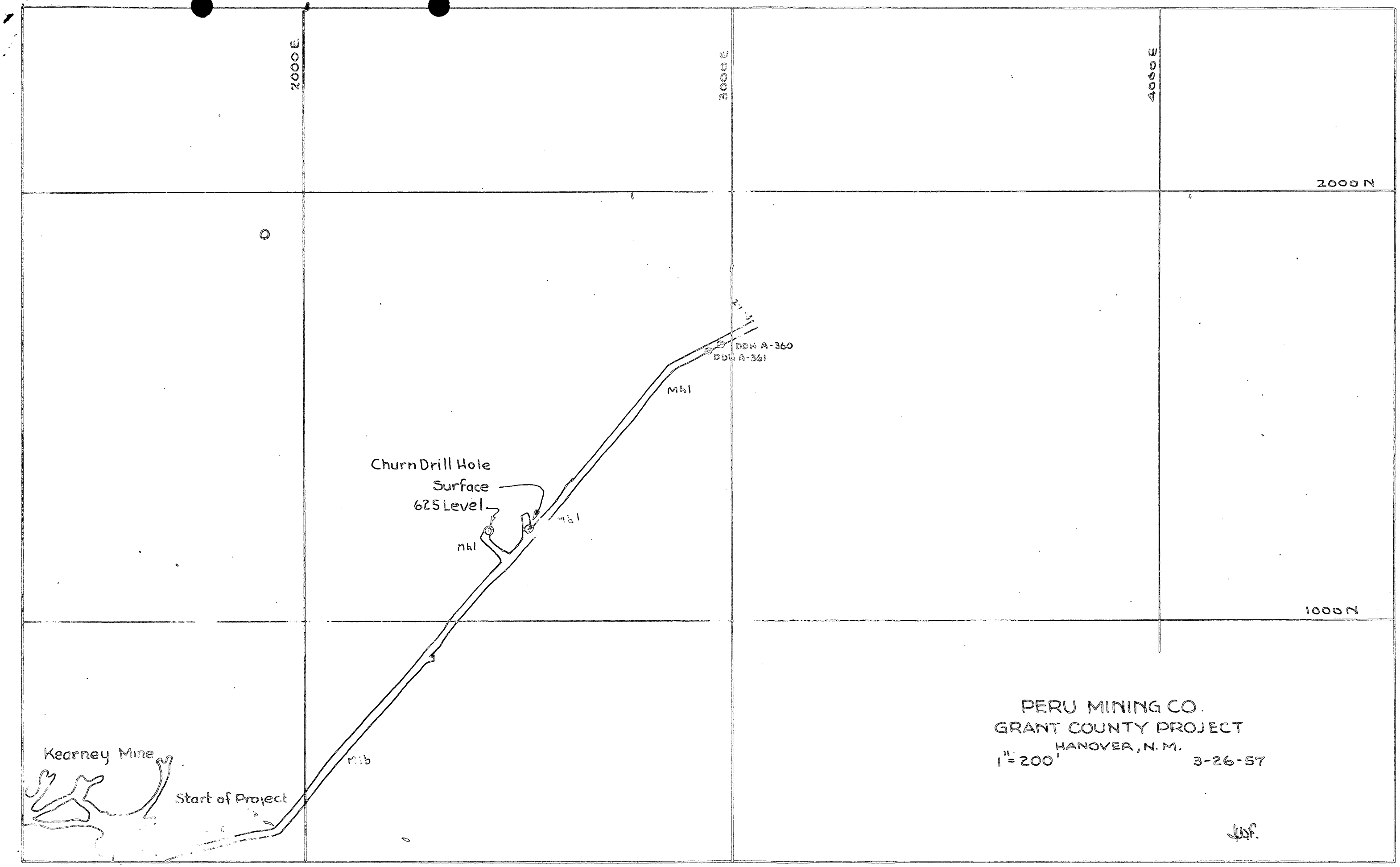
Type: Dimond Bit: EX Area: 625-1G Date Start: May 3, 1956 No. A-360
Date Stop: May 8, 1956

Coordinates:
N 1642.5 E 2972.0 Elev. 5952.5 Bear. N 60 E Inc. + 69 - 15°

| From | To | Interval | Recovery | Character | Remarks |
|---|---|---|---|---|---|
| 0 | 54½ | 54½ | 52 | White crystalline limestone. Chert in places. | Hanover Limestone |
| 54½ | 62 | 11½ | 1 | Water course - Hematite, limonite and silicates (fault) | |
| 62 | 69½ | 7½ | 4 | White crystalline limestone. Core broken @ 65 | |
| 69½ | 70 | ½ | 1" | Water course. Hematite, limonite and silicates | |
| 70 | 80 | 10 | 10 | White crystalline limestone | |
| 80 | 87 | 7 | 7 | Garnet, salite, silicates, shines of Zn S., epidote | |
| 87 | 100 | 13 | 5 | Black shale. Lightly altered | Parting Shale |
| 100 | 105 | 5 | | Sill (White) | |

Bottom at 105'

Logged By: Robert F. Greene


2000 E
3000 E
4000 E
2000 N
1000 N
DDH A-360
DDH A-361
Mbl
Churn Drill Hole
Surface
625 Level
Mbl
Mbl
Mb
Kearney Mine
Start of Project
PERU MINING CO.
GRANT COUNTY PROJECT
HANOVER, N.M.
1" = 200'
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IN REPLY REFER TO:

FEB 25 1957

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Box 4126 University Station
Tucson, Arizona

DMEA
DEPARTMENT OF THE INTERIOR
FEB 25 1957
REGION III
DENVER, COLORADO

February 21, 1957

Memorandum

To: W. M. Traver, Executive Officer, DMEA Field Team, Region III

From: W. L. Emerick
T. M. Romslo

Through: E. N. Harshman EMH
W. R. Storms for WRS

Subject: Docket DMEA-371X (Lead-Zinc-Copper), Contract No. Idm-E67, Peru Mining Company (Grant County Mine) Grant County, New Mexico

Enclosed are the original and 8 copies of joint final report on the above docket by T. M. Romslo, U. S. Bureau of Mines, and W. L. Emerick, U. S. Geological Survey.

W L Emerick
W. L. Emerick
U. S. Geological Survey

T M Romslo
T. M. Romslo
U. S. Bureau of Mines

WLE:ms

cc. Traver (8)
Harshman
Storms
King
Emerick

Reviewed by
DMEA OPERATING COMMITTEE
4-8-57
(date)

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Final Field Report

UNITED STATES
DEPARTMENT OF THE INTERIOR
FRED A. SEATON, SECRETARY

DEFENSE MINERALS EXPLORATION ADMINISTRATION

# FINAL REPORT BY FIELD TEAM
# REGION III

DMA-371X (LEAD-ZINC-COPPER) CONTRACT Idm-E67

PERU MINING COMPANY
GRANT COUNTY MINE

GRANT COUNTY, NEW MEXICO

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W. L. Emerick, Geologist
U. S. Geological Survey

T. M. Romslo, Mining Engineer
U. S. Bureau of Mines

Reviewed by
DMEA OPERATING COMMITTEE
4-8-57
(date)

February 21, 1957

## Summary and Recommendations

The proposed exploration project at the Grant County mine of the Peru Mining Company, Grant County, New Mexico, had the objective of determining the ore content of the Hanover and Middle Blue limestones by making a new mine 550 to 800 feet below existing workings. The Peru Mining Company applied for Government aid, as authorized by the Defense Production Act of 1950, to explore and develop the Grant County mine. The application, docketed as DMA-371X, was amended to include only proposed explorations costing an estimated $225,000.00. Investigations that followed indicated that the proposed explorations could be expected to encounter significant reserves of zinc ore, and contract Idm-E67 was executed. Exploratory work authorized by the contract comprised 4,000 feet of drifting from the company's adjacent Kearney mine, 7,600 feet of surface and underground diamond drilling, and 1,500 feet of churn drilling.

Work under the contract was started July 26, 1951, but only a small part of it had been completed when the contract was terminated December 18, 1956. The total acceptable costs of the project had not been determined at this writing.

Inasmuch as the exploration program with Government assistance was terminated before the proposed target and anticipated ore bodies were reached, the conclusions offered by the original examiners should still be valid. Hernon[1/] states in his Summary and Conclusion that:

---

1/ Hernon, R. M., Field examination report, 1951, p. 9.

"The localizing factors that have made ore in the developed part of the Grant County mine are known to persist or are likely to persist to the depths of the most favorable limestones. Minimum expectable tonnages of ore to be indicated by the proposed and existing exploration program is estimated as of the order of several tens of thousands of tons. The total potential ore is estimated at between 200,000 and 500,000 tons. Grade of ore is expected to range between 5 and 12 percent zinc. Grade of old production from the Grant County mine has averaged 9.44 percent zinc which is the best information available on probable average grade of ore in depth.

"The Grant County mine is regarded as one of the better prospects in the Southwest for development of moderate tonnages of comparatively low grade zinc ore."

It can probably be presumed in this final report that the above conclusions are still valid pending any future exploration information. Also, it is probable that under any future favorable rise in the price of zinc, the company will resume exploration along the lines and in the same direction proposed by the presently terminated DMEA project.

Based on the potential possibilities involved in any future exploration into the area expected to have been reached under contract Idm-E67, it is recommended that either a specific or a qualified certification of discovery be made. Further exploration in the future, either with or without Government assistance, appears warranted for this property under the existing favorable geologic probabilities of discovering significant amounts of ore. Any recommendation in regard to future Government exploration assistance should probably be contingent upon the company's willingness to prosecute project work to completion without qualifications.

DMA-371X (LEAD-ZINC-COPPER) CONTRACT Idm-E67
PERU MINING COMPANY
GRANT COUNTY MINE
GRANT COUNTY, NEW MEXICO

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ILLUSTRATIONS


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| 1. | Location Map | Following page | 1 |
| 2, | Idealized plan of proposed exploration | In folder | |
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| 5. | Longitudinal vertical projection of vein | In folder | |
| 6. | Section 301 | " " | |
| 7. | Section 320 | " " | |

## INTRODUCTION

Late in 1950 the Peru Mining Co. applied for Government aid, as authorized by the Defense Production Act of 1950, to explore and develop the Grant County Mine in Grant County, New Mexico. The application, docketed as DMA-371X, was amended to include only proposed explorations costing an estimated $225,000.00.

Investigations that followed indicated that the proposed explorations could be expected to encounter significant reserves of zinc ore. As a result of the findings the company's request was granted and contract Idm-E67 for exploration costing an estimated total of $225,000.00 was duly executed. Exploratory work authorized by the contract comprised 4,000 feet of drifting from the company's adjacent Kearney mine, 7,600 feet of surface and underground diamond drilling, and 1,500 feet of churn drilling.

Work under the contract was started July 26, 1951, but only a small part of it had been completed when the contract was terminated December 18, 1956.

## LOCATION, TOPOGRAPHY AND PHYSICAL FEATURES

John N. Soulé[1/] states:

> "The Grant County mine is situated in adjoining secs. 22 and 23, T. 17 S., R. 12 W., in the Central Mining District, Grant County, New Mexico. The property is east of Hanover, and north of Santa Rita, New Mexico, and can easily be reached after local inquiry (see Fig. 1).
>
> "The mine is situated on the south end of a small range of mountains that extends southerly from Fierro, New Mexico, almost to Santa Rita. The elevation of the mine is about 7,000 feet. The surface topography is not rugged although some slopes may be steep.

---

1/ Soulé, J. N., Field examination report, 1951, pp. 1-2.

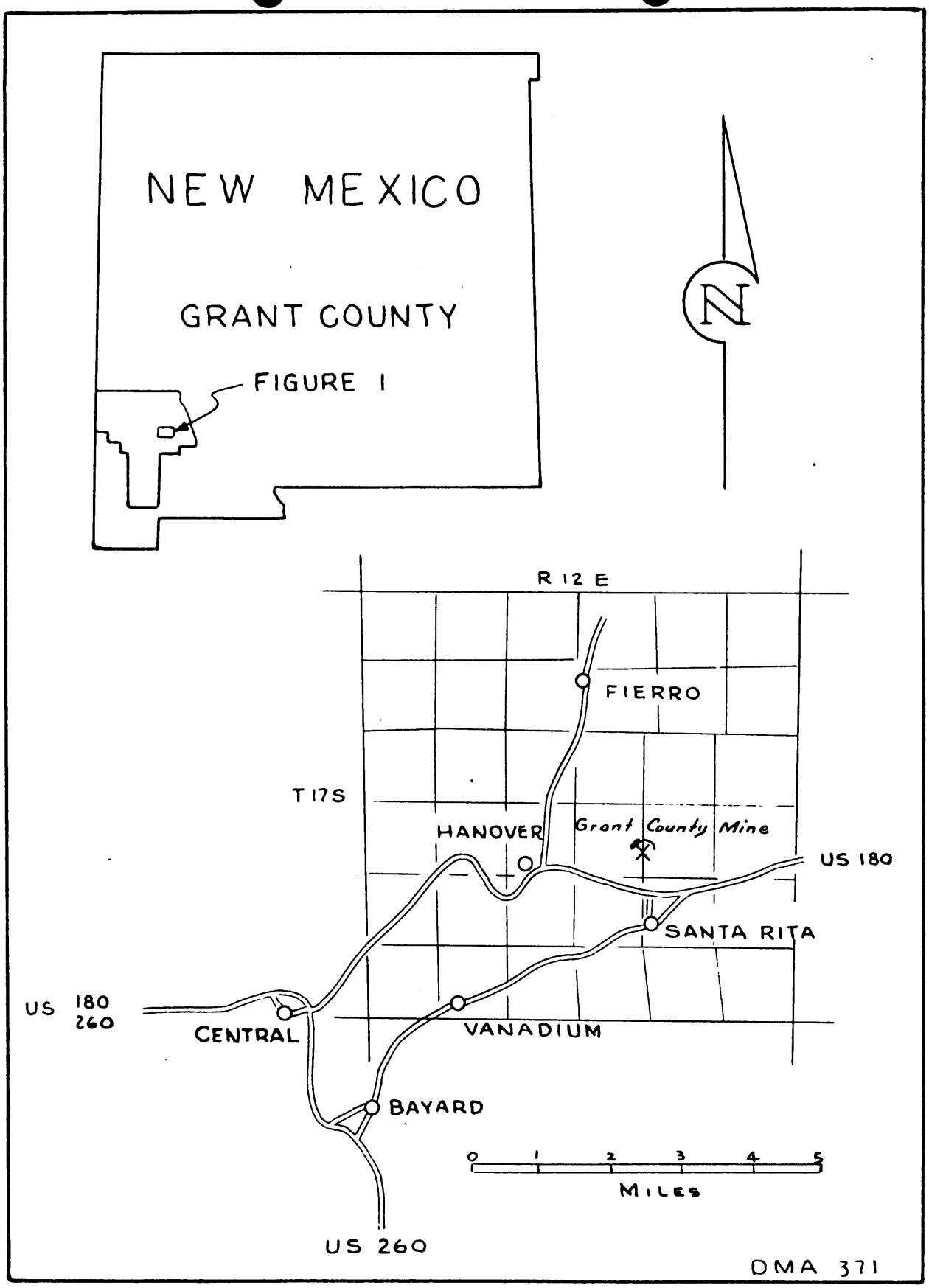


FIG - 1 - LOCATION MAP, GRANT COUNTY ZINC MINE,

GRANT COUNTY, NEW MEXICO

"Vegetation consists of mountain cedar, pinon pine, cactus, range grass, and various shrubs. There are no permanent streams in the area. Some water is pumped from various mines in the district, but the elevation of the water table in the Grant County mine is unknown.

"Precipitation averages about 18 inches per year, largely as summer thunder showers. Winter snows usually are not severe so the weather hampers underground mining but little. Temperatures range from 95 degrees in the summer to below zero in the winter, but extreme weather is not prolonged.

"The mine is located in an established mining district and labor, housing, equipment and supplies readily are available unless unusual future conditions should prevail."

## HISTORY AND PRODUCTION

A small production of ore from the Grant County mine was made, probably from intermittent operation, before it was acquired by the Peru Mining Company in 1928.

Initial operations of the mine by the company were during 1928 to 1930, when 53,279 tons of 9.37 percent zinc ore was produced and 16 diamond drill holes were driven from the surface for a total of 2,357 feet. In 1935 and 1936 one of the holes was deepened 222 feet and 2 surface holes were drilled for a total of 300 feet. Diamond drilling was again done during 1939 when 3 holes were drilled from both the surface and underground for a total of 1,328 feet. The next period of activity was from 1942 through 1947 when sporadic production totalled 6,216 tons of ore containing 6.95 percent zinc. Other work during this period consisted of 590 feet of drifting, 100 feet of crosscutting and 50 feet of raising. Subsequent operations, other than the exploratory project described in this report,

were confined to the diamond drilling of 6 surface and 4 underground holes for a total of 5,530 feet during 1951.

Total production during the 2 periods of operation by the Peru Mining Company is 59,495 tons averaging 9.44 percent zinc.

## EXTENT AND OWNERSHIP OF PROPERTY

John N. Soulé[2/] reported:

> "The Peru Mining Co., and its subsidiary, the New Mexico Consolidated Mining Co., own a block of nearly 50 mining claims adjoining the property of the Chino Mines Division of the Kennecott Copper Corp. There are three mines, the Pewabic, Kearney and the Grant County, in this block. All have produced zinc ores. The Pewabic and Kearney now are producing and are among the important zinc producers of the district."

Claims of the project area are shown on figure 2.

## GEOLOGY

### Introduction

In 1951, R. M. Hernon, of the U. S. Geological Survey, and J. H. Soulé, of the U. S. Bureau of Mines, examined the property for DMEA and submitted a joint report. In April 1956, L. Bryner, of the U. S. Geological Survey, mapped the geology on the 625-level drift that was driven with DMEA funds. W. L. Emerick visited the 625-foot level in January, 1957, and found the geology essentially as mapped by Bryner. No additional work under the DMEA program was initiated or completed subsequent to Bryner's visit to the property. Pertinent geologic data from the previous examination reports was drawn upon freely or transferred verbatim in the compilation of this final report, and the geologic conclusions, if any, are based upon the earlier reports

---

2/ Soulé, J. N., Field examination report, 1951, p. 3.

## Summary of Sedimentary Rocks and Sills, Grant County Mine Area

| | | Thickness | Local Terminology (Schmitt, etc.) | Host Rock for Ore |
|---|---|---|---|---|
| Cretaceous | Beartooth quartzite. | | | |
| Permian | Abo formation: shale, mudstone, and calcareous mudstone. | 100-180' | | |
| Pennsylvanian | Syrena formation, alternating shale, limestone, and impure limestone. A quartz diorite sill, 30 feet thick, is situated about 110' above base. | 320' | Syrena<br>Syrena, Mountain Home shale member: lower 50-70' | Replacement ore in Grant Co. mine and minor ore elsewhere in district |
| | Oswaldo formation: mostly fine-grained limestone, with minor thin shale beds; 20' Parting shale at base. A quartz diorite sill about 60 feet thick is situated about 100' above the base: the Hanover or Marker sill. | 535' | Banded beds 85'<br>Upper Blue 350'<br>Hanover sill<br>Middle Blue 80'<br>Parting shale 20' | Replacement ore in district<br>Second best ore host |
| Mississippian | Lake Valley formation Upper 100-125' is the pure crystalline member termed Orinoidal or Hanover limestone. Lower part is impure thinner-bedded limestone. | 300-315' | Hanover limestone 120'<br>Lower Blue about 200' | The main host for replacement ores throughout district.<br>Rarely replaced by ore |
| Devonian | Percha shale | 300' | | |

The sedimentary rocks are cut by a set of steeply-dipping pre-ore granodiorite dikes that strike northeast (Fig. 3). These pre-ore dikes are arranged in segments en echelon forward to the left and in the area of mine exploration there appears to be at least two of these segments. Elsewhere in the Grant County mine known ore bodies occur along one or both walls of the pre-ore dikes. Intrusion of the dikes altered the limestones in many places to silicates with local sulphide ore bodies. Gossans are believed to indicate the presence of former probable ore bodies. Pre-ore dikes show variable alteration to chlorite, epidote, other silicate minerals and pyrite.

Post-ore dikes of latitic composition, commonly striking at an acute angle to the strike of the pre-ore dikes, cut both the sediments and the pre-ore dikes. The post-ore dikes were intruded along or near northeast fractures and minor faults, some of which are known to be pre-ore in age.

## Structure

The sedimentary rocks of the Silver City-Hanover region form a large shallow structural syncline on which numerous smaller structures are superimposed; one of these smaller structures being the anticlinal uplift localized around the Hanover granodiorite intrusive. The Grant County mine lies on the eastern flank of this anticline where the beds, in general, dip from 10 to 20 degrees southeast.

Faults and fissures in the district are characterized by northeast and northwest strike directions developed before ore deposition. The northeast system is dominant over the district and in the Grant County mine area. Intensity of fracturing and faulting in the Grant County mine is mild if compared to the central part of the district.

In places there was post-ore reopening along the fractures and fissures. Reopening of fractures intruded by dikes may be restricted to certain segments subjected to movement along acute angle intersecting fracture belts. There is commonly pre-ore reopening along or in the dikes and more or less parallel to their walls.

## Ore shoots and localization

Replacement type ore shoots in the Central mining district are elongated to irregular masses with cross sections varying from flat-tabular through roughly equidimensional to high narrow forms. These types may show wedge-shaped extensions at the top controlled by the bedding and steep cross-cutting structure. The size of ore shoots may range from a few hundred tons to several hundred thousand tons.

The ore minerals are sphalerite and usually small amounts of galena and chalcopyrite. Gangue minerals include garnet, salite, epidote, chlorite, quartz, ilvaite, altered host rock minerals, pyrite, and calcite. Aluminous host rocks are commonly altered to epidote, chlorite, and sericite. Other gangue minerals are known in addition to those mentioned.

The exploited ore shoots of the Grant County mine are all situated in beds of the Syrena formation along and close to the Grant County dikes. The vertical dimension of the ore shoots is much greater than the horizontal thickness. Pinches and swells in the ore shoots correspond to local structural conditions and to the composition of sedimentary layers. Better ore and ore widths occur in the limestone beds, whereas ore in the shaly beds is thin, low grade, or waste.

The mined ore shoots in the Grant County mine are localized by reopening along the walls of the Grant County dike. Relative concentrations of northeast fissures occur in the vicinity of the Grant County mine, and although many of the fractures are not known to be pre-ore, many such may show mineralization somewhere on the strike. Projection of these fissure zones to the Grant County dike coincide rather closely with mined ore shoots and some of the surface gossans. Not all of the fissures show mineralization, but the general interpretation is that the pre-ore fissures constitute an important localizing factor for ore.

On the surface within the Grant County dike and in the host rock there is some pre-ore reopening parallel to the walls of the dike. This may be reopening that follows the dike for long distances, or may be largely restricted to the segments of dike intersected by stronger than normal fissuring of the northeast set, or it may be stronger than average within such segments of intersection.

The vertical position of the known ore shoots appears to be a direct result of the composition of beds with possibly some bedding adjustment effects.

## 625 level

The 625 level drift (Figure 4) was driven on a bearing that almost parallels the strike of the Mississippian Hanover limestone and the underlying Lower Blue limestone. Strike of the limestones is northeast with low dips ranging from 5° to 10° southeast. A normal fault about midway in the drift brings the top of the Lower Blue limestone

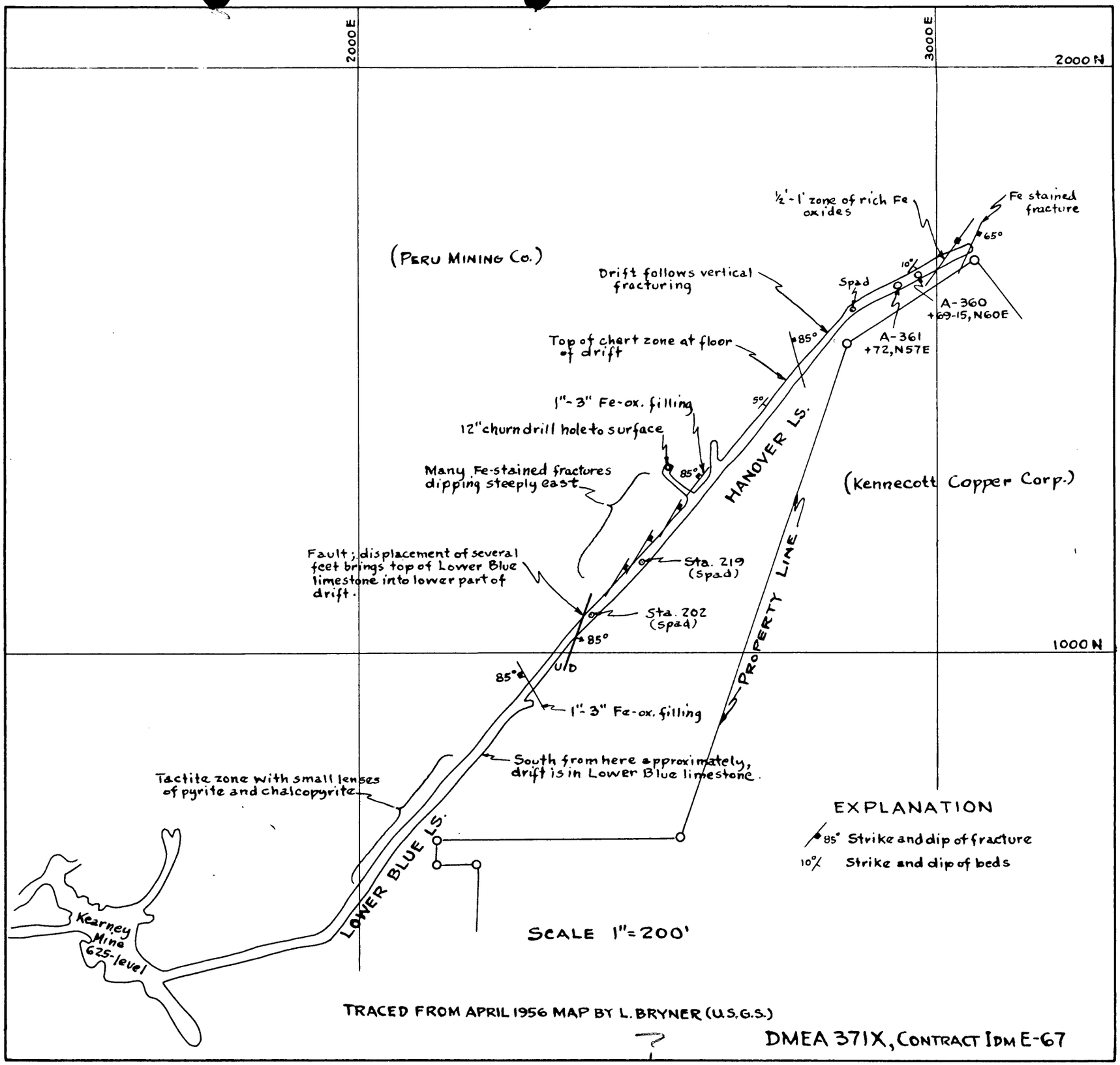


FIGURE 4 - 625-LEVEL (DMEA) FROM KEARNEY MINE, PERU MINING CO., GRANT COUNTY, NEW MEXICO.

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into the lower part of the drift southwest of the fault. Strike of the fault is about N.19°E., with a dip of about 85° to the southeast. Northeast of the fault the drift is in the favorable Hanover limestone. Displacement on the fault amounts to several feet.

Two sets of fractures, or joints, appear to be present in the limestone formations. A northwest trending set dips about 85 degrees either to the northeast or southwest; a northeast trending set has dips ranging from about 65° southeast to vertical. The northeast set of fractures appears to be the dominant set. Most of the fractures are iron-stained or contain a zone or filling of iron oxides. These iron oxide fillings in the fractures range from 1 inch to 1 foot in thickness.

A zone of tactite, containing small lenses of pyrite and chalcopyrite and between 250 and 300 feet wide, occurs near the southwest end of the 625-level drift (Fig. 4) in the Lower Blue limestone. This is the only alteration of the limestones noted in the drift. There was no zinc mineralization found in either the Lower Blue or Hanover limestones of the drift as far as it was driven.

The 625-level drift was driven, however, less than halfway to its proposed objective of probable ore areas in the Hanover limestone further to the northeast between coordinates 2000 and 4000 north (Fig. 2).

During one of the final contract recess periods in May 1956, two diamond drill holes, Nos. A-360 and A-361 (Fig. 4) were drilled without Government assistance. Hole A-360 was drilled on a bearing of N.60°E., inclination +69°15', to hit an area of intersection between the Parting

shale and some pre-ore dikes. Before reaching the shale the hole passed through seven feet of mineralized ground containing some spots of low grade zinc. Hole A-361 was drilled on a bearing of N. 57° E., inclination +72°, and it encountered iron-stained and highly altered gouge material, epidote, and calcite before reaching the Parting shale. No zinc mineralization was found in the hole.

In any resumption of exploration in the future, either with or without Government aid, the company would very likely extend the 625-drift to the objective originally proposed in the Hanover limestone.

## ORE RESERVES

### In Developed Area

Measured and indicated ore reserves were all within the Syrena formation in the existing area of development. These reserves had no direct bearing on the proposed exploration program, inasmuch as the new program was predicated on the hope of making a new mine requiring entirely new development 550 to 800 feet below existing workings.

Measured ore reserves were so small that they were included with the indicated reserves. Jerry W. Faust, General Manager for the Peru Mining Co., Hanover, New Mexico, estimated reserves in the existing workings which were believed to be a fair and probably conservative estimate of ore tonnages. The estimated blocks of reserves are shown on the accompanying longitudinal projection (Fig. 5).

| | | Grade in zinc (discounted 30% by Mr. Faust) |
|---|---|---|
| Indicated ore | 9,300 tons | 6.32% |
| Inferred ore | 5,250 tons | 6.29% |

The tonnage of inferred ore near the existing workings was estimated at not less than 15,000 tons.

In Exploration Area - Inferred ore

Exploration of the area 550 to 800 feet below existing workings was in progress at the time the initial field examination was made in 1951. At that time the exploration drilling had determined the elevation of the favorable lower limestones (Hanover and Middle Blue), the position of the pre-ore dikes, and had penetrated ore-type mineralization. Inasmuch as there was no development in the area 550 to 800 feet below the existing workings, all estimates of ore reserves were in the inferred class. There is no known reason why the pre-ore fissuring known in the old upper mine should not persist in depth. In the district ore in higher limestone members is commonly over ore in lower members.

A discussion of the estimate of inferred ore in the Hanover and Middle Blue limestones was necessary since these were primarily the two limestones to be explored by the proposed program. The penetrations of ore-type material and other data are summarized in the longitudinal projection (Fig. 5) and the two cross sections (Figs. 6 and 7) accompanying the report and in the following paragraphs.

Known ore, strong gossans, and penetrations of ore-type material by diamond drill holes were distributed over a horizontal distance of about 2000 feet and a vertical distance of about 1000 feet as shown on the longitudinal projection (Fig. 5). Penetrations of mineralization in depth summarize as follows:

| Horizon | Feet of Penetration | % Zinc | Dike & side | Apparent distance from dike |
|---|---|---|---|---|
| Upper Blue | - | Shines* | East-west side | At contact |
| " " | 1.5 | 8.5 | East-west side | In horse, or limestone between splits of dike |
| " " | - | Shines | East-east side | 8-10 feet |
| Middle Blue | - | Shines | Between dikes | 65 and 110 feet |
| " " | 4.0 | 3.2 | West-west side | At contact |
| | 10.0 | 3.8 | East-west side | 30 feet |
| | - | Shines at base | East-west side | 12 feet |
| | - | Shines | East-east side | 30 feet |
| | 4.0 | 7.6 | East-east side | 33 feet |
| Hanover limestone | 5.5 | 4.4 | East-west side | 55 feet |
| | 4.0 | 7.7 | West-east side | At contact |

*"Shines" mean zinc is present but not in sufficient quantity to assay.

Inasmuch as the holes were drilled primarily to obtain geologic information, such as position of the beds and the dikes, and that many penetrations were fairly distant from the pre-ore dikes,

the showings should be regarded as favorable. The drill holes also penetrated considerable thicknesses of silicate alteration that is a common associate of ore in the district although the silicate alteration does occur away from the ore in places.

The general geologic features appeared to be moderately favorable and on that basis the following estimates of minimum expectable tonnage and potential tonnage were made. It seemed probable that minimum ore expectation was of the order of several tens of thousands of tons. Ore tonnage within the Hanover and Middle Blue limestones that might have been indicated by the proposed exploration had it been carried to completion, or to its target, were estimated at between 200,000 and 500,000 tons. The grade of inferred ore was estimated as probably ranging between 5 and 12 percent zinc. Grade range was based on two factors, namely (1) experience of grade range gained in stopes of the Grant County mine and in adjacent parts of the district, and (2) from drill hole penetrations of ore-type mineralization in the area of proposed exploration. The grade ranges were given as probable ranges in grade and did not exclude the possible existence of higher grade ore bodies.

Exploration done under contract did not reach target and none of the estimated reserves as given above were encountered or proved. Thus, at the termination of the contract the reserves remain essentially as estimated in the initial field examination report, or as given above.

## THE EXPLORATORY PROJECT

### Contract Provisions

Contract Idm-E67, dated July 18, 1951, provided for 3 general operations, which are:

1. Drifting and Crosscutting

(a) Approximately 4,000 feet of drifting on the 625-foot level of the Kearney Mine to a point approximately 800 feet below the lower workings of the Grant County Mine.

(b) Approximately 350 feet of crosscutting where necessary.

2. Diamond Drilling

(a) Approximately 2,200 feet of drilling from the surface as shown on map of contract (Fig. 2).

(b) Approximately 5,400 feet of drilling from underground positions shown on map of contract (Fig. 2),

3. Churn Drilling

Holes at two points along the 4,000 feet of drifting starting at about 12 inches in diameter and finishing at about 9 inches must be drilled from the surface to connect with the drift to allow sufficient ventilation for the workmen in the breast of the drift. It is estimated that these two holes will average about 700 feet each, or 1,500 feet of drilling.

It is understood that none of the above work can be performed by independent contractors unless prior written approval from the Government has been received. This applies to the drilling particularly.

Prior to suspension of the operations, the operator requested a long recession of the project until the price of zinc and the cost of mining work were adjusted to justify exploration for zinc ore in that area. A series of 6-month recesses that were granted extended the life of the contract to December 18, 1956. A request for an additional period of suspension was denied and the contract was terminated.

## Work Performed

### Drifting and Crosscutting (fig. 4)

Work on the exploratory drift was started July 26, 1951. Equipment used in driving the drift included a 2-drill Boom Jumbo with Power Feed Shell, 4 Power Feed Drifters, 20 mine cars, a shovel loader and electric locomotive. The ground was easily drilled and broken and required little or no timber support. A daily advance of about 6 feet was made to late in February 1952 when drifting was stopped by sudden heavy inflow of water at the face. Drifting was renewed late in April 1952 after a second pump had been installed and the water pressure at the face had abated. Thereafter, progress was slow due to shortening of the work week from 6 to 5 days and to a decrease in daily advance of from about 6 to approximately 3 feet. Factors contributing to the low rate of advance were poor ventilation and the flow of mine water that was augmented by a second surge at the face during October 1952.

Drifting was suspended by the operator January 25, 1953, after completing 1,801 feet of advance in the drift and 2 short crosscuts. One of the crosscuts served as a by-pass for equipment and the other was driven in an unsuccessful attempt to connect churn drill hole No. 1.

Churn Drilling (fig. 4)

DMEA approved an independent churn drilling contract dated December 5, 1951, between the operator and the Johnson Drilling Company. During December 1951 the operator built an access road to the site of hole No. 1, at no expense to the Government, and the contractor moved in with his equipment. Drilling of the hole was started early in January 1952 and was completed at a depth of 912.5 feet in November 1952. The low average monthly advance of about 90 feet probably was mainly due to lack of adequate skilled drillers. Contributing factors were a long delay while recovering lost tools and difficult drilling conditions for a few short intervals.

The hole missed the target, the 625 level, because it drifted from the projected vertical course. As of November 1952, the bottom 115 feet of the hole had been drilled to a diameter of 6 inches instead of the minimum 9 inches specified by the contract. In January 1953, the project was recessed before the hole had been found on the 625 level and before it had been reamed to an acceptable diameter.

Reaming of the hole to a 12-inch diameter and driving of a 94-foot crosscut to the hole on the 625 level was completed in May 1956. The reaming was started before expiration of the last authorized recess. According to the operator, the original drilling contractor went practically broke while drilling the hole and the McBee Drilling Company was engaged for the reaming operation. The crosscut was driven after the last authorized recess. The location of the hole on the 625 level, target of the crosscut, was found by using a short

wave radio installation consisting of a sending set with the antenna in the hole at the surface and a receiving set underground.

## COST OF WORK PERFORMED

The final cost of work performed under the contract had not been determined at this writing. Liquidation of the Government's interest in jointly owned property was in progress and some costs submitted by the operator and denied by the Government were subject to reinstatement.

The costs, as of June 25, 1956, were as follows:

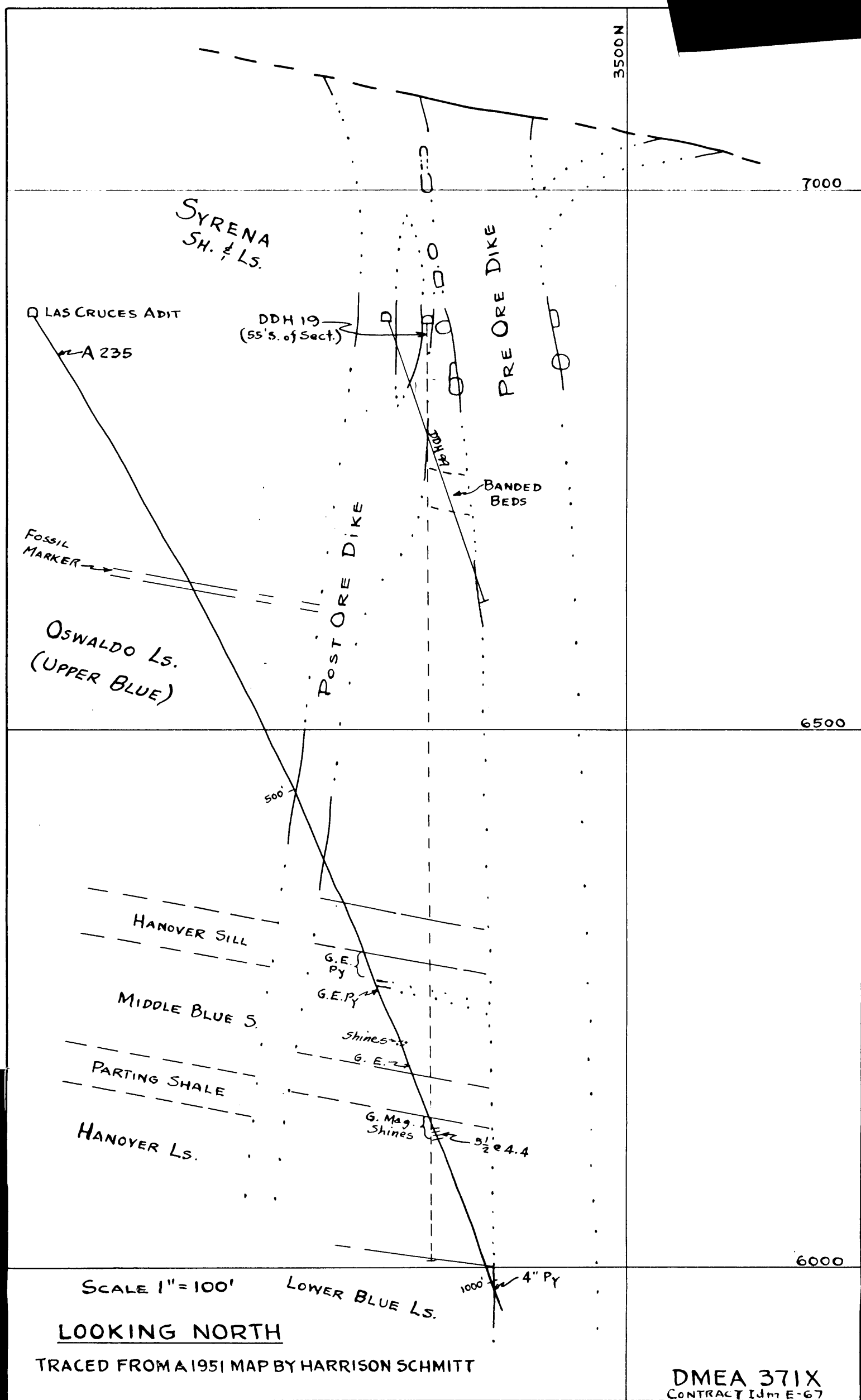
| | |
|---|---|
| Total amount reported through January 1953 | $95,518.91 |
| Net disallowances not reinstatable | 15,816.73 |
| Total acceptable costs (subject to audit) | $79,702.18 |
| Government participation at 50 percent | $39,851.09 |
| Total Prior Payments | 37,935.09 |
| Balance due Peru Mining Co. (subject to audit) | $ 1,916.00 |

Included in the acceptable costs is the 1,801 feet of advance in the drift and 2 short crosscuts, and the 912.5 feet of churn drilling. Cost of driving the 94-foot crosscut to the drill hole was not acceptable as prior approval for this work was not obtained by the operator.

## EFFICIENCY OF THE OPERATIONS

Information regarding this subject was obtained from Monthly Progress Reports, all by John N. Soulé. He reported, as previously mentioned, that the churn drilling operations were inefficient mainly

due to employment of inexperienced drillers. No reference was made as to the efficiency of the other operations.




SCALE 1" = 100'

LOOKING NORTH

TRACED FROM A 1951 MAP BY HARRISON SCHMITT

DMEA 371X
CONTRACT Idm E-67

FIGURE 6.– SECTION 301, GRANT COUNTY MINE, PERU MINING CO., GRANT COUNTY, NEW MEXICO.

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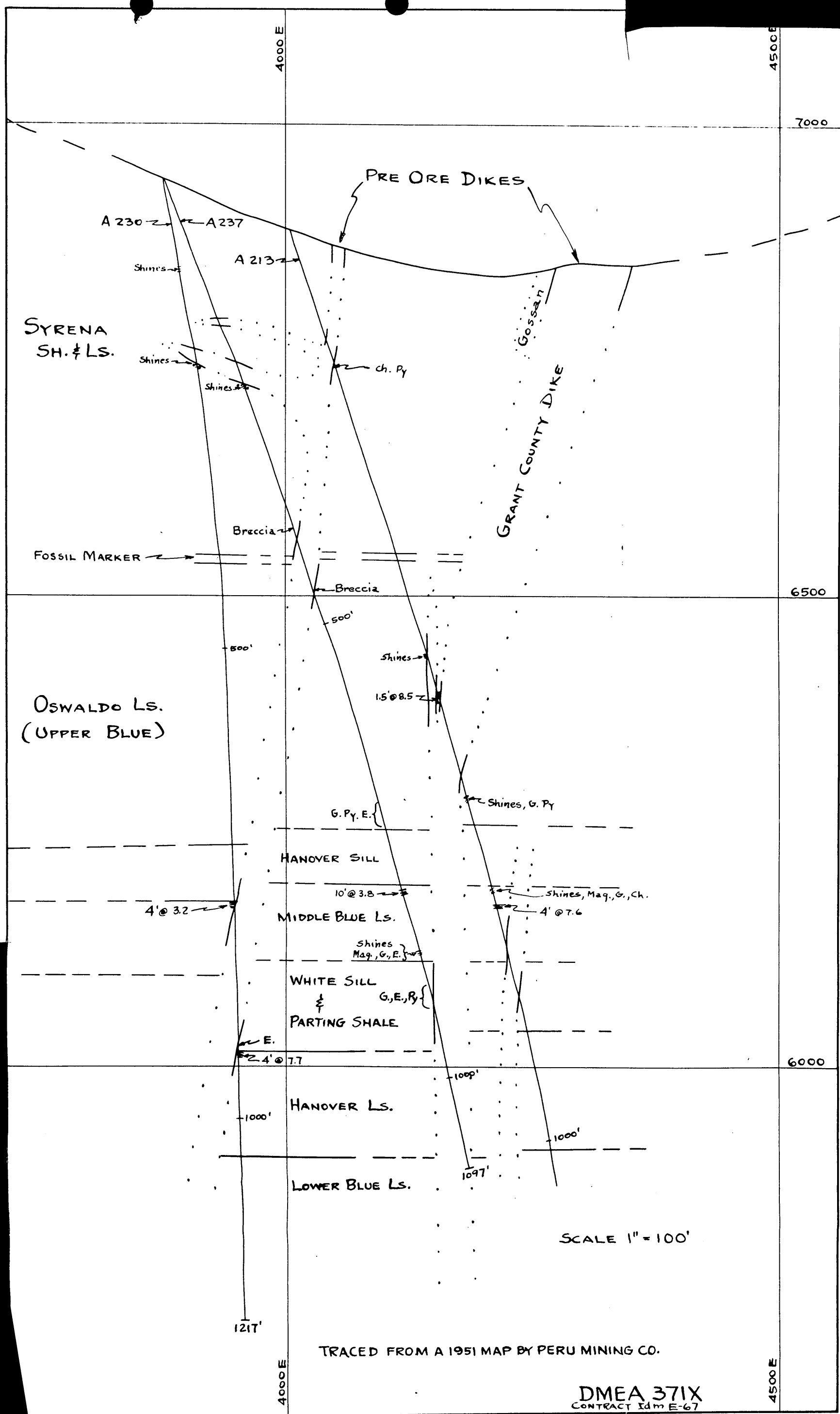


FIGURE 7.—SECTION 320, N.70W., GRANT COUNTY MINE, PERU MINING CO., GRANT COUNTY, NEW MEXICO.

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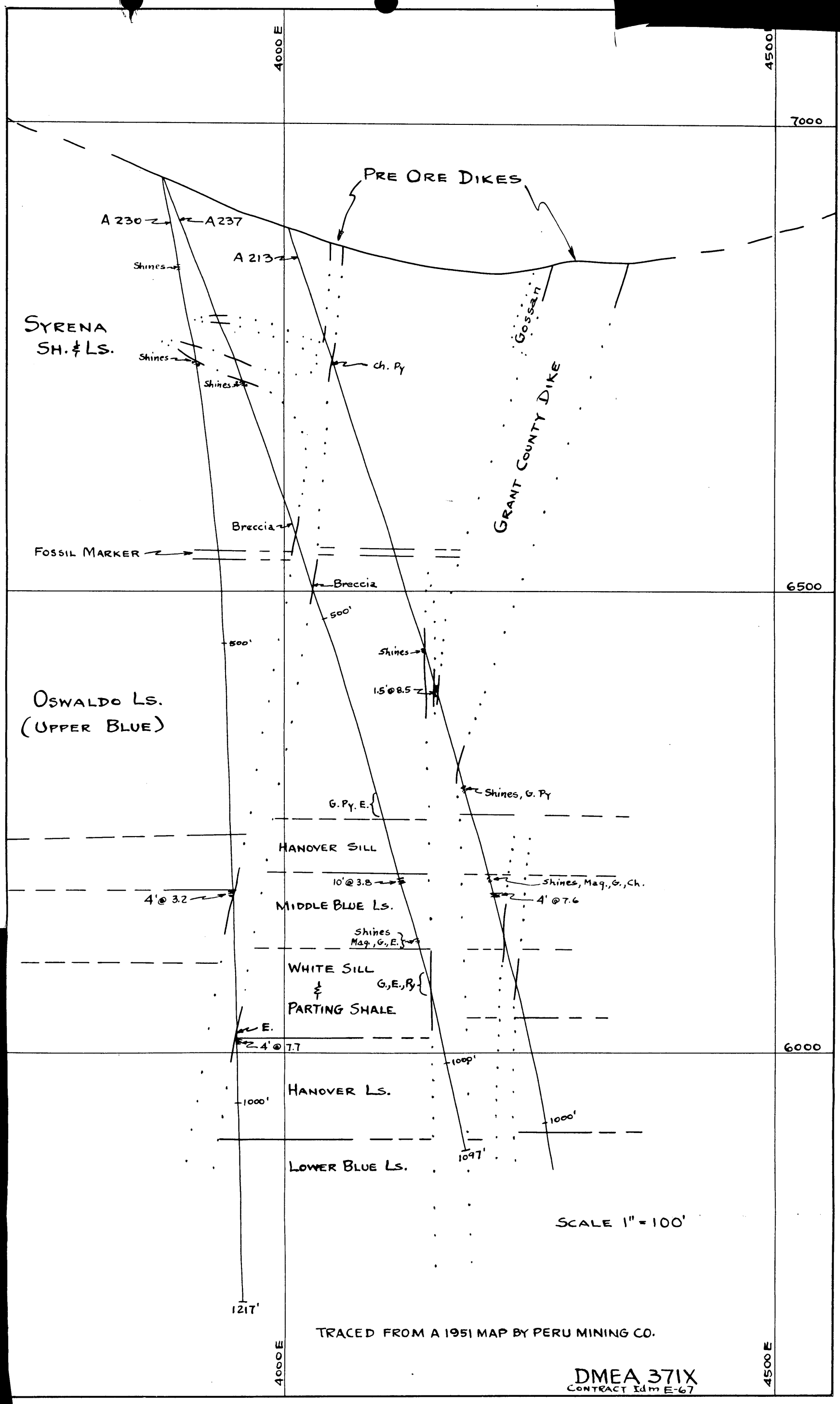


FIGURE 7 .—SECTION 320, N.70 W., GRANT COUNTY MINE, PERU MINING CO., GRANT COUNTY, NEW MEXICO.

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PERU MINING COMPANY
SILVER CITY, NEW MEXICO

March 28, 1957

~~Gemined~~
Betty

Re: Docket No. DMEA 371X (Lead-Zinc)
Contract No. Idn-E67
Peru Mining Company
(Grant County Mine)
Grant County, New Mexico

Mr. E. N. Harshman
Acting Executive Officer
DMEA Field Team, Region III
224 New Customhouse
Denver 2, Colorado

DMEA
DEPARTMENT OF THE INTERIOR
APR 1 - 1957
REGION III
DENVER, COLORADO

Dear Mr. Harshman:

Please find enclosed our final copy and geological report on above docket.

We note that our bid and proposal, dated February 15, 1957, in the amount of $3,896.96 in the liquidation of the jointly owned equipment has been accepted. We choose that the matter of reimbursement to the Government be deferred pending the release of a Certificate and Report of Audit on this contract. At this time if we owe a balance in settlement of the account, we will immediately send a check.

Very truly yours,

PERU MINING COMPANY

J. W. Faust

J. W. Faust
General Manager

JWF:F

Enc.

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4/1/57
Copies distributed to:
Chairman, F. Comm. (2)
Finance Office, Reg. III
MT-104 File, Reg. III
DMEA Auditor, Reg. III
Harshman
Strong
Emerick
Jones
Corres. File

FILE COPY
DMEA

224 New Customhouse
Denver 2, Colorado

March 21, 1957

3/25 C 220
800
500

CERTIFIED MAIL

Mr. J. W. Faust, General Manager
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA 371X (LMEE-Elmo)
Contract No. DMm-267
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Faust:

We have been instructed to advise you that: The United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, accepts your bid and proposal, dated February 15, 1957, in the amount of $3,896.96 in the liquidation of the jointly owned equipment and unexpended portion of materials and supplies acquired under Contract No. DMm-267.

The sum of $1,948.48, fifty percent of the amount of your bid, due the Government in the transaction, may be paid to the Government by your Company by check made payable to the Defense Minerals Exploration Administration and forwarded to this office, or the matter of reimbursement to the Government may be deferred pending release of a Certificate and Report of Audit of contract expenditures by the Contract Administration and Audit Division, DMEA, after which final settlement of the account can be effected. The audit of contract expenditures will be scheduled upon receipt of your final engineering and geologic report, as provided in the Contract.

Very truly yours,

Original signed by
E. N. HARSHMAN

E. N. Harshman
Acting Executive Officer
DMEA Field Team, Region III

JWT:prl
cc: Chairman, Op. Comm. (2)
Finance Office, Reg. III ) w/copy of Administrator's letter of Mar. 18 and Bid proposal data.
MF-104 File, Reg. III )

DMEA Auditor, Reg. III ) w/copy of Administrator's letter of March 18.
Harshman )
Storms )
Emerick )
Corres. file )
Chrem.
Townsend

DMEA Form 7
(12-56)

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|---|---|---|
| 500 3/15 | Trimmel | 500 |
| 3/15 | Talbut | 800 |
| 3/18 | Selbridge | 120 |
| " | Johnson | 110 |
| " | Mittendorf | 100 |
| 3/18 | C | 225 |

Bishop
Kiilsgaard

MAR 18 1957

Mr. E. N. Harshman
Acting Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg.
Denver 2, Colorado

Re: Docket No. DMA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. Harshman:

This is in reference to your March 4 memorandum covering liquidation of the Government's equity in jointly owned property acquired under the cited contract.

You are hereby authorized to accept the Operator's offer of $3,896.96 for such property, including unexpended materials and supplies.

Sincerely yours,

C. O. Mittendorf (for)

Administrator

WRGriswold/er 3/15/57
Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Mr. Jay Chambers
Chron.

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UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
224 New Customhouse
Denver 2, Colorado

March 4, 1957

Memorandum

To: Chairman, Operating Committee, DMEA

From: Acting Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA 371X (Lead-Zinc), Contract No. Idm-E67, Peru Mining Company (Grant County mine), Grant County, New Mexico

Enclosed is the following material pertaining to liquidation of the Government's interest in the jointly owned property acquired under the subject Contract:

1. Original and two copies of the Operator's bid and proposal, dated February 15, 1957, with attachments.

2. Original and three copies of a memorandum, dated March 1, 1957, from T. M. Romslo, Mining Engineer, Bureau of Mines, and memorandum in transmittal thereof, dated March 1, 1957, from the Superintendent, Southwest Experiment Station.

The examining engineer recommends, in which this office concurs, that the Operator's bid, in the amount of $3,896.96, for the jointly owned property and unexpended portion of materials and supplies acquired under the Contract, be accepted.

Acceptance of the Operator's bid for the jointly owned property is deemed not to be within the authority delegated to this office. Therefore, the matter is forwarded for your consideration and appropriate action.

E. N. Harshman

E. N. Harshman

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
BOX 4097
TUCSON 5, ARIZONA

DMEA
DEPARTMENT OF THE INTERIOR
MAR 4 1957
REGION III
DENVER, COLORADO

March 1, 1957

Memorandum

To : W. M. Traver, Executive Officer, DMEA Field Team

From : Superintendent, Southwest Experiment Station

Subject : Docket DMA-371X (Zinc-Lead), Contract Idm-E67, Peru Mining Co. (Grant County Mine), Grant County, N. Mex.

In regard to your memorandum of February 20 concerning the bid of Peru Mining Co. and the jointly owned property acquired under Contract Idm-E67, a memorandum from T. M. Romslo of the Bureau of Mines is attached. We believe that this bid should be accepted as we doubt very much if a higher one could be obtained.

Walter R. Storms

Walter R. Storms

CC W. M. Traver (8)
DMEA-371X
DF

WRStorms:frj

DMEA
MAR 6 1957
DATE | INITIALS | CODE

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
BOX 4097
TUCSON 5, ARIZONA

March 1, 1957

Memorandum

To : Walter R. Storms, Superintendent, Southwest Experiment Station

From : T. M. Romslo, Mining Engineer, Tucson, Ariz.

Subject : Docket No. DMA-371X (Lead-Zinc) Contract No. Idm-E67, Peru Mining Company (Grant County Mine), Grant County, N. Mex.

W. M. Traver, in a memorandum to you of February 20, 1957, requests a recommendation relative to the acceptability of the operator's bid on the jointly owned property acquired under subject contract.

The operator's firm bid is for the following property:

| | Project Cost |
|---|---|
| Operating equipment comprising: | |
| 1 DJ-B-2, I-R, 2-drill Jumbo | |
| 4 DA-30, I-R, power feed drifters | |
| 20 20-cu. ft. mine cars | |
| Total operating equipment | $12,989.85 |
| Materials and Supplies | |
| 3,600 ft. used 20# mine rail | 1,777.35 |
| 1,600 ft. of each 1" and 2" black pipe installed underground | 2,798.33 |
| 3,200 ft. #12 TW solid copper wire blasting line installed underground | 2,168.80* |
| Total | $19,734.33 |

*My estimate based on: (1) available records that show 1,535 feet of #8/3 wire valued at $1,040.34 was installed and (2) the assumption that the indicated additional installation was 1,665 feet of the same type wire.

CC W. M. Traver (Orig. & 8)
DMA-371X
DF

TMRomslo:frj

I believe the operator's firm bid of $3,896.96 is acceptable for the following reasons:

First, in accordance with regulations, the operator asked various suppliers and dealers to bid on the property. No bids were received probably because, at present, there is an over supply of this type of property.

Second, the amount bid is approximately 20 percent of the original cost of the property and probably not less than 15 percent of present replacement costs. It could represent about 25 percent of the original cost of Operating Equipment and approximately 10 percent of the original cost of supplies and materials. Such bids would not be significantly higher even during a Sellers market.

Third, available records indicate that other supplies and materials purchased for the project have little or no salvage value.

T. M. Romslo

T. M. Romslo
Mining Engineer
Southwest Experiment Station

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

February 15, 1957

DMEA
DEPARTMENT OF THE INTERIOR
FEB 20 1957
REGION III
DENVER, COLORADO

RE: Docket DMEA 371X (Lead-Zinc)
Contract Idm-E67
Peru Mining Company
(Grant County Mine)
Grant County, New Mexico

Mr. W. M. Traver, Executive Officer
DMEA Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Traver:

We are pleased to enter our bid on the jointly owned property under Contract Idm-E67. Attached please find copies of letters which were sent to various suppliers and dealers asking for bids on the above mentioned equipment. Also find attached copies of the only written answer that was received in reply to these letters. In addition to having written the letters asking for bids, I telephoned a number of parties that might be interested and also called on several parties that might be interested in some of the equipment, in each case asking them to make a bid on the equipment. While some of them indicated an interest in the equipment, no bids have been received.

We hereby make a firm bid of $3,896.96 for this jointly owned equipment consisting of: One DJ-B-2 Ingersoll-Rand two drill Jumbo; Four DA30 Ingersoll-Rand power feed drifters; Twenty 20 Cu. ft. mine cars; 3,600 feet used 20# mine rail; 1,600 feet 2" black pipe in place underground; 1,600 feet 1" black pipe in place underground; 3,200 feet #12 TW solid copper wire blasting line in place underground.

It has not been mentioned as to whether we should send an earnest money check along with the bid but are assuming that it is not necessary in that we have a balance due us on this account.

Very truly yours,

PERU MINING COMPANY

J. W. Faust
General Manager

JWF:F

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MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

C
O
P
Y

November 13, 1956

E. Cosgrove, Inc.
Silver City, New Mexico

Gentlemen:

We are liquidating the Government's interest in some jointly owned property among which are the following items:

3,600' used 20# mine rail in place underground
1,600' used black pipe in place underground - 1"
1,600' used black pipe in place underground - 2"
3,200' #12 TW solid copper wire blasting line in place underground

We would like to know if you would be interested in entering a bid on this.

Very truly yours,

PERU MINING COMPANY

J. W. Faust
General Manager

JWF:F

3

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

C
O
P
Y

November 13, 1956

Hirsch Brothers Machinery Company
P. O. Box 226
El Paso, Texas

Gentlemen:

We are liquidating the Government's interest in some jointly owned property among which are twenty 20 cu. ft. mine cars which you built for us.

We would like to know if you would be interested in entering a bid on this equipment.

Very truly yours,

PERU MINING COMPANY

J. W. Faust
General Manager

JWF:F

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

C
O
P
Y

November 13, 1956

Ingersoll-Rand Company
2100 Wyoming Street
El Paso, Texas

Gentlemen:

We are liquidating the Government's interest in some jointly owned property among which are four DA30 Powerfeed drifters and one D-JB-2 Jumbo.

We would like to know if you would be interested in entering a bid on this equipment.

Very truly yours,

PERU MINING COMPANY

J. W. Faust
General Manager

JWF:F

C
O
P
Y

INGERSOLL-RAND COMPANY
2100 Wyoming Street
El Paso, Texas

January 3, 1957

Peru Mining Company
Silver City, New Mexico

Att: Mr. J. W. Faust
General Manager

Gentlemen:

We have delayed in replying to your letter of November 13 regarding four DA-30 Power Feed Drifters and one DJB Jumbo, all used, until we could canvass a few possibilities of disposing of them. Since making this survey we find no one interested in bidding on the equipment. We can tell you there is considerable of this class equipment available second hand.

Our company, of course, does not deal in used equipment but we felt it might be possible to interest one of our customers in this equipment, and regret to advise that we have been unable to assist you.

We thank you for your letter and trust you will let us know if there is anything we can do to help you.

Yours very truly,

INGERSOLL-RAND COMPANY

/s/Fred L. Woods

F. L. Woods
HH

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

November 13, 1956

Gentlemen:

In the liquidation of the Government's interest in jointly owned property, we will appreciate separate bids on the following items.

1. One DJ-B-2 Ingersoll-Rand two drill Jumbo - slightly used.

2. Four DA30 Ingersoll-Rand power feed drifters - used.

3. Twenty 20 cu. ft. mine cars, 18" ga. - used.

4. 3,600 ± ft. used 20# mine rail in place (1,800 ft. track) approx. 12 tons.

5. 1,600' ± 2" black pipe in place underground.

6. 1,600' ± 1" black pipe in place underground.

7. 3,200 ' ± #12 TW solid copper wire blasting line in place underground.

These items may be seen by appointment at Kearney Mine, Hanover, New Mexico, Phone LE4-9510, Bayard, New Mexico.

Very truly yours,

PERU MINING COMPANY

J. W. Faust
General Manager

JWF:F

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

224 New Customhouse
Denver 2, Colorado

January 24, 1957

OFFICIAL FILE COPY
DMEA
RECEIVED JAN 28 1957

| DATE | INITIALS | CODE |
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Mr. J. W. Faust, General Manager
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA-371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Company (Grant County Mine) Grant County, New Mexico

Dear Mr. Faust:

Reference is made to your letter of December 24, 1956, regarding disposal of the jointly owned property acquired under Contract Idm-E67.

If you are interested in bidding on the property to retain it for your company's use and if you have exhausted all possibilities of obtaining a price higher than you wish to pay, then you should immediately submit your company's bid on the property.

Please forward five copies of your bid, each copy complete with all data in support of your attempts to obtain other bids. The monetary amount of your bid should cover both your's and the Government's interest in the property, the same as would the bid from an outside bidder.

Very truly yours,

Original signed by
W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

JWF:bh
cc-Chair., Op. Comm. (2)
Harshman ) w/copy of
Storms ) Chairman's
Emerick ) letter of 1/8/57
Townsend
Corres. File E-67
Chron.

DMEA Form 7
(12-56)

500

OFFICIAL FILE COPY

| Date | Surname | Code |
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| | Griswold | 500 |
| 1-17 | Chambers | 800 |
| 1/18 | Selfridge | 130 |
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| " | Hathaway | 100 |
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1-18 C

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225

JAN 18 1957

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg.
Denver 2, Colorado

Re: Docket No. DMEA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-167

Dear Mr. Traver:

We have our copy of your December 28 letter to the cited Operator, with a copy of its December 24 letter to you. We note the Operator's statement "if you think it best, our company will make a firm bid on this material." It probably would be worthwhile for you to request this company to make such a bid, especially since it appears that disposal to dealers may be difficult.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (DHB)

APPROVED:

O. M. Bishop
Member, Bureau of Mines

Ivor H. Kilsgaard
Member, Geological Survey (DHB)

WRGriswold/er 1/17/57
Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kilsgaard, USGS
Mr. Chambers
Chron.

8623

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

OFFICIAL FILE COPY
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DATE | | CODE
1/8 | 9 | 800
225

224 New Customhouse
Denver 2, Colorado

January 7, 1957

Mr. J. W. Faust, General Manager
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA 371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Company
(Grand County mine)
Grand County, New Mexico

Dear Mr. Faust:

Reference is made to your letter of January 2, 1957 in reply to our letter of December 28, 1956, regarding the final engineering and geologic report to be submitted pertaining to work completed under Contract No. Idm-E67, and wherein you request advice as to the matters to be covered in the final engineering and geologic report.

Five copies of the final report must be submitted and should contain essentially the following information in comprehensive form:

1. An opening statement noting the date of the contract and the date work approved under the contract was commenced and the date the last work was performed.

2. A summary of the work completed.

3. Discussion of each type of work performed, the conditions encountered and results thereof.

4. Total and unit cost of performing the work. The total cost and unit costs shown should be qualified as being subject to adjustment after settlement of the Government's interest in the jointly owned property acquired under the contract, and subject to final audit.

5. Each copy of the report should be complete with a map or maps showing the work completed, and in conjunction therewith indicate the location of any samples taken and analyses thereof.

In addition to the foregoing, the report should contain any other pertinent information or data what would aid in giving a comprehensive picture of the work performed and the results thereof.

Very truly yours,

Original signed by
E. N. HARSHMAN

E. N. Harshman
Acting Executive Officer
DMEA Field Team, Region III

JWT:prl

cc: Chairman, Op. Comm. (2) ) w/copy of
Harshman ) Operator's
Storms ) letter of
Emerick ) January 2.
Townsend )
Corres. file )
Chron.

OFFICIAL FILE COPY
DMEA
RECEIVED
JAN 3

MINE: HANOVER, N. M.

PERU MINING COMPANY
SILVER CITY, NEW MEXICO

DMEA
MILL: PERUHILL, N. M.
DEPARTMENT OF THE INTERIOR
JAN 7 1957
REGION III
DENVER, COLORADO

January 2, 1957

Re: Docket NO. DMEA 371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Co. (Grant County Mine)
Grant County, New Mexico

Mr. W. M. Traver
Executive Officer, DMEA
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Traver:

In your letter of December 28th you ask for the final engineering and geologic report. Not having made any engineering and geologic reports to you, I am wondering just what would be necessary to send.

Last Monday, December 31st, I sent some information to T. M. Romslo at Tucson, and perhaps this is the information that you also want. In his letter asking for the information he mentioned that it was for a final report on the project. As far as the engineering is concerned, our last report to you showed the total advance on the maps which were enclosed. The drift was driven entirely in the Hanover Limestone so that very little geological information was picked up due to the fact that the objective was not reached.

If you care to give me a list of the things that you would like to have in this report, I will get it out for you as soon as possible.

Very truly yours,

PERU MINING COMPANY

J. W. Faust
General Manager

JWF:F

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

224 New Customhouse
Denver 2, Colorado

December 28, 1956

31

Mr. J. W. Faust, General Manager
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA 371R (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Co. (Grant County Mine)
Grant County, New Mexico

Dear Mr. Faust:

Thank you for your letter of December 24, 1956 in reply to our letter of December 19, relative to disposal of jointly-owned property acquired under Contract Idm-E67.

Under provisions of the contract your company is obligated to make every reasonable effort to obtain the highest price possible for the jointly-owned equipment. In that respect you are referred to the second and third paragraphs of our letter to Mr. Taylor dated July 12, 1956.

Another matter requiring prompt attention by your company is the rendering of a final engineering and geologic report, as provided by article 13 of the contract form. Five complete copies of the report are required instead of four copies as mentioned in article 13. The final engineering and geologic report should be rendered without delay regardless of the status of financial matters that are prerequisite to closing the account.

We will appreciate advice from you by return mail as to the approximate date we may expect to receive the required final engineering and geologic report.

Very truly yours,

Original signed by
W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

JWT:bh
cc-Chair.,Op. Comm.(2) )w/copy
Harshman )Operator's
Storm )letter of
Emerick )12/24/56
Townsend )
Corres. File E-67 )
Chron.

P. O. HANOVER, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

MAIL: PEDUNILL, N. M.

DMEA
DEPARTMENT OF THE INTERIOR
DEC 27 1956
REGION III
DENVER, COLORADO

December 24, 1956

Re: Docket No. DMEA 371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Company
Grant County Mine

Mr. W. M. Traver
Executive Officer, DMEA
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Traver:

In answer to your letter of December 19th regarding the above contract, we have received no answers to our letters asking for bids on the jointly owned equipment. I do notice that you mentioned "jointly owned equipment and the unexpended portion of materials and supplies acquired". As you remember, all our supplies were charged to the joint account as they were used so that there is nothing left in our warehouse which is jointly owned. Agents from two of the companies that I have written have dropped by and told me verbally that they were not interested in purchasing the used equipment and indicated that they would write me a letter stating that they were not interested. To date these letters have not arrived.

It seems to me that one alternative might be to get a junk dealer, or several junk dealers, to make bids on this equipment but I am sure that their bid would be necessarily very low and I hesitate to do this.

If you think it best, our company will make a firm bid on this material.

Very truly yours,

PERU MINING COMPANY

J. W. Faust

J. W. FAUST
General Manager

JWF:F

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

224 New Customhouse
Denver 2, Colorado

December 19, 1956

Mr. J. W. Faust, General Manager
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA 371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Faust:

Reference is made to our letter of November 16, 1956 and prior correspondence, relative to liquidation of the Government's interest in the jointly owned equipment and the unexpended portion of materials and supplies acquired under Contract No. Idm-E67.

As considerable time has elapsed and we have heard nothing further from you in the matter, we will appreciate advice by return mail as to the extent of your efforts to date and the results, relative to obtaining bids preparatory to disposal of the jointly owned property.

Very truly yours,

Original signed by
W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

JWT:prl

cc: Chairman, Op. Comm. (2)
Harshman
Storms
Emerick
Townsend
Corres. file
Chron.

File Copy
Surname

Lindwood
Selfridge
Stephenson
Mathewson

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

500

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg.
Denver 2, Colorado

Re: Final Field Team Reports for DMEA Docket Nos. DMEA-1 & 1A, DMEA-171, DMEA-371, DMEA-606, DMEA-1098, DMEA-1525, DMEA-1870, DMEA-2028, DMEA-2653 and DMEA-2991

Dear Mr. Traver:

The following projects have been concluded or terminated for a considerable period of time and we have received no final Field Team reports covering project results. In certain instances, as noted below, the final Operator's report is also lacking.

It may be that in certain cases final Field Team reports have been delayed pending property settlements and final audits. However, we can see no reason for such delay; actually the final report from the Field Team is not considered as being an exact financial statement. We must depend upon our Contract Administration and Audit Division for our final and precise data on expenditures.

In cases where final precise figures are not available, it would be sufficient if it was so noted in your final report, with an additional notation that such unit and over-all costs which you might have quoted were subject to minor revisions, depending upon matters of final settlement.

DMEA-1 & 1A - Chief Consolidated Mining Company
(Final Operator's Report also due)
Terminated January 30, 1956.

DMEA-171 West Park Mining Company
Terminated February 13, 1956.

DMEA-371 Peru Mining Company
(Final Operator's Report also due)
Terminated November 1, 1955.

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

224 New Customhouse
Denver 2, Colorado

November 16, 1956

Mr. J. W. Faust, General Manager
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA 371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Faust:

Reference is made to your letter of November 13, 1956, whereby you enclosed copies of letters to possible purchasers in your efforts to dispose of the jointly owned property acquired under the contract, and wherein you request further advice pertaining to the disposal of the property.

If bids are received on disposal of the jointly owned property, you should submit for the consideration of the Government five complete sets of all data pertaining to the matter, consisting of signed copies of bids from possible purchasers, or photostats of the original signed bids, and your proposal, wherein all bids, including your company's, are abstracted to show the highest bidder.

In the event you do not receive returns on your invitation to bid from all or part of those invited, each set of data submitted should contain a copy of your invitation to bid, along with bids received, thereby substantiating your efforts to dispose of the property to the best interests of those concerned.

In the event no returns at all are received on your invitations, then each set of your proposal should contain copies of all invitations to bid and an indication of any other efforts made by you in the disposal of the property, and a statement from you pertaining to nonreceipt of returns on invitations to bid that were sent out.

If you find that this letter and our letter to Mr. Taylor, dated July 12, 1956, do not answer all your questions, please advise and we will attempt to further clarify the procedures to be followed.

Very truly yours,

JWT:prl

Original signed by
W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

cc: Chairman, Op. Comm. (2)
Harshman
Storms
Emerick
Townsend
Corres. file Chron.

w/copy of Operator's letter

File Copy
Surname
Lockwood
Selfridge
Fitzsimmons
Mitchenor

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

500

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
22h New Customhouse Bldg.
Denver 2, Colorado

Re: Final Field Team Reports for DMEA Docket Nos. DMEA-1 & 1A, DMEA-171, DMEA-371, DMEA-606, DMEA-1098, DMEA-1525, DMEA-1870, DMEA-2028, DMEA-2653 and DMEA-2991

Dear Mr. Traver:

The following projects have been concluded or terminated for a considerable period of time and we have received no final Field Team reports covering project results. In certain instances, as noted below, the final Operator's report is also lacking.

It may be that in certain cases final Field Team reports have been delayed pending property settlements and final audits. However, we can see no reason for such delay; actually the final report from the Field Team is not considered as being an exact financial statement. We must depend upon our Contract Administration and Audit Division for our final and precise data on expenditures.

In cases where final precise figures are not available, it would be sufficient if it was so noted in your final report, with an additional notation that such unit and over-all costs which you might have quoted were subject to minor revisions, depending upon matters of final settlement.

DMEA-1 & 1A - Chief Consolidated Mining Company
(Final Operator's Report also due)
Terminated January 30, 1956.

DMEA-171 West Park Mining Company
Terminated February 13, 1956.

DMEA-371 Pera Mining Company
(Final Operator's Report also due)
Terminated November 1, 1955.

Griswold

DMEA-606 U. S. Metals Corporation
(Final Operator's Report also due)
Terminated September 1, 1955.

DMEA-1098 Combined Metals Reduction Company
Terminated July 9, 1956.

DMEA-1525 Moreno Uranium Corporation
Terminated July 1, 1955.

DMEA-1870 U. S. Metals Corporation
(Final Operator's Report also due)
Terminated September 1, 1955.

DMEA-2028 U. S. Smelting, Refining and Mining Company
Concluded December, 1955.

DMEA-2653 U. S. Smelting, Refining and Mining Company
Concluded November, 1955.

DMEA-2991 Shenandoah-Dives Mining Company
Terminated September 9, 1955.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (WRG)

WRGriswold/mr 12/10/56

Copy to: Docket (10)
Admr H File
Op. Committee
Base Metals (10)
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

APPROVED:

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

Thor H. Kiilsgaard (THK)
Member, Geological Survey

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

224 New Customhouse
Denver 2, Colorado

November 16, 1956

Granted
Betty

Mr. J. W. Faust, General Manager
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA 371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Faust:

Reference is made to your letter of November 13, 1956, whereby you enclosed copies of letters to possible purchasers in your efforts to dispose of the jointly owned property acquired under the contract, and wherein you request further advice pertaining to the disposal of the property.

If bids are received on disposal of the jointly owned property, you should submit for the consideration of the Government five complete sets of all data pertaining to the matter, consisting of signed copies of bids from possible purchasers, or photostats of the original signed bids, and your proposal, wherein all bids, including your company's, are abstracted to show the highest bidder.

In the event you do not receive returns on your invitation to bid from all or part of those invited, each set of data submitted should contain a copy of your invitation to bid, along with bids received, thereby substantiating your efforts to dispose of the property to the best interests of those concerned.

In the event no returns at all are received on your invitations, then each set of your proposal should contain copies of all invitations to bid and an indication of any other efforts made by you in the disposal of the property, and a statement from you pertaining to nonreceipt of returns on invitations to bid that were sent out.

If you find that this letter and our letter to Mr. Taylor, dated July 12, 1956, do not answer all your questions, please advise and we will attempt to further clarify the procedures to be followed.

Very truly yours,

JWT:prl

Original signed by
W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

cc: Chairman, Op. Comm. (2)
Earshman
Storms
Emerick
Townsend
Corres. file Chron.
} w/copy of Operator's letter

MINE: HANOVER, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

MILL: PERUHILL, N. M.

DMEA
DEPARTMENT OF THE INTERIOR
NOV 16 1956
REGION III
DENVER, COLORADO

November 13, 1956

Re: Docket No. DMEA-371X (Lead-Zinc)
Contract No. Idm-E67
Peru Mining Company, (Grant County Mine), Grant County, New Mexico

Mr. W. M. Traver, Executive Officer, DMEA
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Traver:

Enclosed please find copies of letters to the several suppliers that furnished material that is jointly owned by the Peru Mining Company and the U. S. Government. Also a copy of another letter, without address, which will be sent to others that I think might be interested in entering a bid. In line with your earlier suggestion, a copy of this will also be sent to at least two newspapers.

Please let me know, by return mail, if you think this method of disposing of the property will be satisfactory, also whether or not any certain time limit should be imposed to satisfy any Government rules or regulations.

With the exception of the first item on the list, everything else is in well used condition and it is to be expected that the bids on this will be very low, and, in all probability, our company will purchase most of it. It is even possible that we will fail to receive bids on this equipment and if this be the case, please advise us as to the disposition of the equipment.

Very truly yours,

PERU MINING COMPANY

J. W. Faust

J. W. Faust
General Manager

JWF:F

DMEA
DEPARTMENT OF THE INTERIOR
NOV 16 1956
REGION III
DENVER, COLORADO

November 13, 1956

Ingersoll-Rand Company
2100 Wyoming Street
El Paso, Texas

Gentlemen:

We are liquidating the Government's interest in some jointly owned property among which are four DA30 Powerfeed drifters and one DJB-2 Jumbo.

We would like to know if you would be interested in entering a bid on this equipment.

Very truly yours,

PERU MINING COMPANY

J. W. Allen
General Manager

JWF:F

DMEA
DEPARTMENT OF THE INTERIOR
NOV 16 1956
REGION III
DENVER, COLORADO

November 1[illegible], 1956

[illegible] Company
P. O. [illegible]
El Paso, Texas

Gentlemen:

We are [illegible] the Government's interest in the [illegible] property among which [illegible] are [illegible] which you built for us.

[illegible] know if you would be interested [illegible] this equipment.

Very truly yours,

[illegible]

November 13, 1956

[illegible] Inc.
Silver City, New Mexico

Gentlemen:

We are liquidating the Government's interest in [illegible] property among which are the follow-

[illegible] used [illegible] line rail in place underground
[illegible] used black pipe in place underground -1"
[illegible] used black pipe in place underground -2"
[illegible] 52 [illegible] solid copper wire blasting line [illegible] place underground.

[illegible] know, if you would be interested [illegible] this.

Very truly yours,

PERU MINING COMPANY

J. W. Faust
General Manager

JWF:F

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

[illegible]

Gentlemen:

In the liquidation of the Government's interest in jointly owned property, we will appreciate separate bids on the following items.

1. One D[illegible] Ingersoll Rand two drill Jumbo - slightly used.

2. Four D[illegible] Ingersoll Rand power feed drifters - used.

3. Twenty 20 cu. ft. mine cars, [illegible]" ga. - used.

4. 3,600 ± ft. used 20# mine rail in place (1800 ft. track) approx. 12 tons.

5. 1,600'± 2" black pipe in place underground.

6. 1,600'± 1" black pipe in place underground.

7. 3,200'± #12 TW solid copper wire blasting line in place underground.

These items may be seen by appointment at Kearney Mine, Hanover, New Mexico, Phone LM-9510, Bayard, New Mexico.

Very truly yours,

PERU MINING COMPANY

J. W. Faust

J. W. Faust
General Manager

JWF:F

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

RECEIVED
OCT 25 1956

224 New Customhouse
Denver 2, Colorado

October 23, 1956

Mr. Joseph H. Taylor, Vice-President
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA-371X (Lead-Zinc)
Contract No. Idm-E67,
Peru Mining Company, (Grant County Mine), Grand County, New Mexico

Dear Mr. Taylor:

Reference is made to our letter of July 12, 1956, wherein we outline the procedure to be followed by you in presenting your proposal in the liquidation of the Government's interest in the jointly owned property acquired under Contract Idm-E67.

We are desirous of closing this account at an early date; therefore, we will appreciate your prompt attention to the matter of rendering your proposal relative to disposition of the jointly owned property acquired under the contract.

We will appreciate advice from you by return mail as to the approximate date we can expect to receive your proposal.

Very truly yours,

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

WMT:bh
cc-Chairman, Op. Comm. (2)
Harshman
Storms
Emerick
DMEA Auditor, Reg. III
Townsend
Corres. File E-67
Chron.

Chairman, D.M.E.A.

RECEIVED
OCT 23 1956

DN 235 BUR MINES 10-23-56 10-09

CHAIRMAN, OPERATING COMMITTEE, DMEA

REURTT 10-22-56 DOCKET DMA 371, CONTRACT IDM-E67, PERU MINING COMPANY, STATUS OF OPERATOR S PROGRESS IN DISPOSAL OF JOINTLY OWNED PROPERTY UNKNOWN. WE WILL WRITE OPERATOR AS FOLLOW UP TO OUR LETTER OF JULY 12, 1956.

W M TRAVER

Denver, Colo.

File Copy
Surname
Friedman
Lamb
Kilsgaard
Selfridge
McKinney

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

OCT 22 1956

WRGriswold/er Rm 4444, Ext. 3669

DMEA - Base Metals Division

14X4401(01) Revolving Fund, Defense Production Act, Interior (allocated Working Fund to Office of Secy.)

T E L E T Y P E

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Date:

TO: Mr. W. J. Traver, Executive Officer, DMEA Field Team, Region III, Denver, Colorado

Re Docket DMA-371, Peru Mining Company, Contract Idm-267, please advise present status of property disposal proceedings.

George C. Selfridge

Chairman, Operating Committee (GCS)

WRGriswold/er rewritten 10/22/56
Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kilsgaard, USGS
Confirmation Copy
Chron.

R.E.G.

File Copy
Surname

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

AUG 13 1956

Mr. Jos. H. Taylor, Vice President
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-267

Dear Mr. Taylor:

We have your letter of August 4, 1956, requesting the reinstatement of the referenced DMEA contract.

You may be sure that we have considered the matter very carefully and, likewise, that we can appreciate the problems which confront your Company as outlined by you. Nevertheless, we find it very difficult to justify the continued commitment of Government funds, at no interest, to dormant projects which show little expectancy of becoming active within the foreseeable future.

You will recall that in your letter of June 15, 1956, you requested an amendment permitting a recess period until some indefinite time in the future when the price of zinc and the costs of mining might warrant the exploration work outlined in your contract with the Government. Such an arrangement would be beyond the range of our delegated authority; we can only make contracts providing for a specified type and amount of exploratory work, to be completed within a specified time.

R.G.S.

If you are in a position to give us a firm commitment as to when you would be willing to resume the work of exploration, we will give favorable consideration to further participation in your project. The previously existing contract was terminated without prejudice to the underlying theory upon which the program was based. Hence, any specific proposal on your part, submitted at some future date, would be given prompt consideration on the basis of our existing authority at that time.

Sincerely yours,

E. O. Mittenhont

Administrator

WRGriswold/er 8/10/56

Copy to: Docket
Admr & File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Region III (2)
Chron.

MINE: HANOVER, N. M.

MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

August 4, 1956

RECEIVED
AUG - 6 1956

Re: Docket DMEA 371X (Lead-Zinc)
Contract Idm-E67
Peru Mining Company
(Grant County Mine)
Grant County, New Mexico

Mr. C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration
Washington 25, D. C.

Dear Mr. Mittendorf:

Mr. J. W. Faust, Jr., is now General Manager in charge of operations for Peru Mining Company and I am still here in an advisory position only; however, I am answering this after discussing all of these matters with Mr. Faust.

Mr. Traver's letters of July 12th have been received and carefully considered by us and we have discussed the matter with our President, Mr. Morris Blumberg, of New York.

In regard to the items of equipment and facilities and/or other fixtures such as pipe, rail, drill steel and so forth, we are delaying plans to advertise and dispose of these until we receive your answer in regard to further extension of our contract.

As you very well know, we entered into this contract when the price of zinc was 19½¢ a pound and through no fault of ours (but due to our Federal Government spending large sums of money to develop foreign sources of zinc) eventually there was a flood of zinc into this country and the price of zinc dropped to where it would seem unwise for Peru Mining Company to develop the type of property which we expect to find at the Grant County Mine. We still believe that sooner or later there will come a time when the foreign sources of zinc will dry up and this country will need every pound of zinc they can get from the domestic mines, and when that time comes, we will be urged again to develop resources such as the Grant County Mine.

We entered into this contract in good faith and intended to spend our money to develop an entirely new mine for this area and still would like to develop additional property here, but because of the price of zinc at present we do not believe we should step into this at the present time. On the other hand, we would like the Government to give us a further recess so that if conditions justify further expenditure in the area, we could go ahead with this work again.

As you know, during the time that Kearney Mine was shut down, we continued pumping the water out and kept the Grant County Project clear of caves or anything which would stop us from going ahead in the event we could start up again. We also spent a considerable amount to continue the drill hole and enlarge it to 12" for ventilation if we should start again.

In view of the above, we again request an extension of the period of suspension and ask you to reconsider this matter very carefully before denying our request.

Sincerely yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

cc: Mr. W. M. Traver, Denver
Mr. Morris Blumberg, President
Mr. L. F. Johnson, Vice President
Mr. J. S. Flory, Jr., Secretary

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

[illegible] New Customhouse
Denver 2, Colorado

July 17, 1956

RECEIVED
JUL 23 1956

Memorandum

To: Royalty File E67

From: Executive Officer, DMEA Field Team, Region III

Subject: Date of Pseudo-Certification, Docket DMA-371X (Copper-Lead-Zinc), Contract Idm-E67, Peru Mining Company (Kearney Mine), Grant County, New Mexico

Pursuant to the provisions of Amendment No. 4 which is amended by Amendment Nos. 5, 6 & 7, the date of Pseudo_Certification of Contract Idm-E67 is interpreted to be the date established as expiration of the suspension period, or November 1, 1955.

A semiannual report for period January 1, 1956 through June 30, 1956 is therefore required.

W. M. TRAVER

W. M. Traver

MMM/vj

cc: Contract Corres. File E67
See. Opr. Comm. (2)
W. R. Storms
Marshall
Chron.

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

RECEIVED
JUL 1 3 1956

224 New Customhouse
Denver 2, Colorado

CERTIFIED MAIL

July 12, 1956

Mr. Joseph H. Taylor, Vice President
Peru Mining Company
Silver City, New Mexico

Re: Docket DMEA 371X (Lead-Zinc)
Contract Idm-E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Taylor:

By the terms of the exploration project contract under which you are operating, the Government acquires an interest in property purchased for use on the project which is ". . . paid for or purchased with funds contributed jointly by the operator and the Government..." Such property includes any individual items of equipment and facilities, buildings, or other fixtures costing more than $50.00 each. It also includes materials and supplies considered in groups or categories (such as pipe, explosives, rails, drill steel), if the original cost of the remaining unexpended portion of any such category of materials or supplies exceeded $50.00. As to any facility, building, fixture, or piece of equipment, and as to any such group or category of materials or supplies the original cost of which or the unexpended portion of which did not exceed $50.00, the Government does not assert any claim or interest under the terms of the contract.

The effect of the contract provisions is to make you the agent of the Government for the disposition of its interest in such property. Therefore it is your responsibility to make the best possible disposition of the property for the benefit of the Government. Every reasonable effort must be made to realize its full value. Such reasonable efforts might include: (1) Advertising in newspapers, periodicals, and posting notices in public places; (2) canvassing users of and dealers in such property; and (3) negotiating with the original vendor for the repurchase of the property.

Should you wish to retain the property or, in effect sell it to yourself, you may do this only after first having made every reasonable effort to procure a price higher than you yourself are

willing to pay; or you may buy the Government's equity by paying for it either on the basis of the original cost or at a price higher than the highest bid obtainable from two independent bidders. In bidding on the property for yourself, you should give consideration to the fact that the property in place is worth considerably more to you than if dismantled and disposed of elsewhere.

The undersigned is authorized to approve of and to join in the sale of such property for the joint account of the operator and the Government. You are requested to advise this office in advance of the proposed disposition of any such property so that we may advise you if the Government will approve thereof and join in the transaction. Please supply this office with the original and five copies of your liquidation proposal and a like number of copies of all documents and other material relative to the property disposition.

The form MF-104 records on file in this office indicate that the Government has a 50 percent equity in the following items of property, plus an undetermined amount of unexpended material reported under item (3) "Other" on form MF-104:

| | |
|---|---|
| Pipe | $ 2,798.33 |
| Track | 1,777.35 |
| Operating Equipment | 12,989.85 |
| Total | $17,565.53. |

Very truly yours,

W. M. TRAVER

W. M. Traver
Executive Officer,
DMEA Field Team, Region III

JWT:prl

cc: Chairman, Oper. Comm. (2)
Harshman
Storms
Emerick
DMEA Auditor Reg. III
Townsend
Corres. file
Chron.

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

RECEIVED
JUL 1 3 1956

224 New Customhouse
Denver 2, Colorado

CERTIFIED MAIL

July 12, 1956

Mr. Joseph H. Taylor, Vice President
Peru Mining Company
Silver City, New Mexico

Re: Docket DMEA 371X (Lead-Zinc)
Contract Idm-E67
Peru Mining Company
(Grant County mine)
Grant County, New Mexico

Dear Mr. Taylor:

Reference is made to your letter of June 15, 1956 wherein you request an extension of the period fixed for suspension of operations for a further indefinite period until the price of zinc and the cost of mining work have been adjusted to justify exploration for zinc ore in that area.

You also request the Government's approval for inclusion under the contract of 94 feet of crosscutting to locate the bottom of the churn drill hole and 241 feet of diamond drilling which was recently performed by your Company.

Inasmuch as the crosscutting and diamond drilling were not approved in advance by the Government, they cannot now be approved for inclusion under the contract.

In reference to your request for extension of the period for suspension of operations and a further extension of the period fixed for completion of the project work, we have been instructed by the Washington Office, DMEA, to advise you that your request is denied.

Inasmuch as work was not resumed by the date fixed by Amendment No. 4, dated February 1, 1954, as amended by Amendments Nos. 5, 6, and 7; therefore provisions (a), (b), and (c) of paragraph numbered 5 of Amendment No. 4 (amended) become effective and you must proceed with matters of property disposal and final reports as provided for in Article 16 of the Contract.

You will be advised by separate letter of the procedure to be followed in liquidating the Government's interest in the jointly owned property acquired under the Contract.

There follows a financial recapitulation as indicated by records on file in this office.

| | | | |
|---|---|---|---|
| Total amount reported on Forms MF-104 through January, 1953 | | | $95,518.91 |
| **Amounts Disallowed** | | | |
| 1. By Finance Office: | | | |
| 115 ft. churn drilling at total cost of | $16,927.42 | | |
| 86 ft. drifting at total cost of | 2,721.35 | | |
| Total disallowed by Finance Office | | $19,648.77 | |
| 2. Per audit dated March 20, 1953: | | | |
| Electric power | * $96.81 | | |
| Total disallowed per audit | | 96.81 | |
| Total Disallowed | | | $19,745.58 |
| * The audit of 3/20/53 also takes exception to an amount of $8,373.75 for 797.5 ft. of churn drilling in addition to the amount disallowed by the Finance Office. Your company had already been reimbursed for the amount of the Government's contribution; and as the work has now been made acceptable, the amount of the exception is not considered for reinstatement. | | | |
| Adjusted Total Costs | | | $75,773.33 |
| **Amounts disallowed which are now subject to reinstatement:** | | | |
| 115 ft. churn drilling at $10.50 per foot | | $1,207.50 | |
| 86 ft. drifting at total cost of | | 2,721.35 | |
| Total possible reinstatement (subject to audit) | | | 3,928.85 |
| Total Acceptable Cost (subject to audit) | | | $79,702.18 |
| **Recapitulation** | | | |
| Total amount reported through January, 1953 | | | $95,518.91 |
| Net disallowances not reinstatable | | | 15,816.73 |
| Total Acceptable Costs (subject to audit) | | | $79,702.18 |
| Government participation at 50 percent | | | $39,851.09 |
| Total Prior Payments | | | 37,935.09 |
| Balance Due Peru Mining Company (subject to audit) | | | $ 1,916.00 |

The balance due your Company will be held in deferment pending resolution of all matters relative to closing the account.

Very truly yours,

W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

JWT:prl

cc: Chairman, Oper. Comm. (2)
Harshman
Storms
Emerick
DMEA Auditor, Reg. III
Townsend
Corres. File
Chron.

File Copy
Surname

Surname
Chambers
Selfridge
Mitchenday

500

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

Mr. W. M. Traver, Executive Officer
DMEA Field Team, Region III
224 New Customhouse Building
Denver 2, Colorado

JUL 9 - 1956

Re: Docket No. DMEA-371 (Lead-Zinc-Copper)
Pera Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. Traver:

This is with reference to your June 25 memorandum, with enclosures, covering the cited project.

We are in accord with the financial recapitulation on page 2 of your memorandum. We do not consider the 94 feet of crosscutting to connect to the bottom of the churn drill hole as being an integral part of the contract. Likewise, the two diamond drill holes drilled upward from the 625 level, without an amendment, are not within the contract provisions.

It is quite out of the question for us to accede to the Operator's request for an additional recess period until some vague future time when metal prices and mining costs might be more to its liking. You should therefore advise this company that since it failed to resume work by November 1, 1955, as required by Amendment No. 7 to the contract, all Government obligations to contribute to costs not then accrued under the provisions of the contract are terminated, and it should promptly proceed with matters of property disposal and final reports as provided for in Article 16 of the contract.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (GCS)

WRGriswold/bjl (7/3/56)

APPROVED:

/s/ Robert W. Geehan (GCS)
Member, Bureau of Mines

Thor H. Kiilsgaard (GCS)
Member, Geological Survey

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Chambers
Mr. Bishop
Mr. Kiilsgaard
Chron.

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

RECEIVED
JUN 27 1956

224 New Customhouse
Denver 2, Colorado

June 25, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-371X (Zinc-Lead), Contract Idm-E67
Peru Mining Company (Grant County Mine)
Grand County, New Mexico

Enclosed is the following material pertaining to operations under the subject contract:

1. Original and three copies of the Operator's letter of June 18, 1956

2. Original and three copies of a memorandum dated June 18, 1956 from the Superintendent, Southwest Experiment Station, Tucson, Arizona.

The Operator in the letter under item 1 explains the circumstances relative to non-resumption of work under the contract and requests extension of the date fixed for the completion of the work for an indefinite time.

The Superintendent, Southwest Experiment Station, in his memorandum under item 2, describes his findings on a visit to the property and recommends reinstatement of certain work which had been previously disallowed because of non-conformance with contract stipulations.

Mention is made in the enclosed material of the Operator's request for the Government's approval for certain diamond drilling. However, that matter was never resolved, and a portion of the work was completed by the Operator at company expense.

There follows an analysis of the current status of project expenditures.

| | | | |
|---|---|---|---|
| Total amount reported by Operator on Forms MF-104 through January, 1953 | | | $95,518.91 |
| **Amounts Disallowed** | | | |
| 1. By Finance Office: | | | |
| 115 ft. churn drilling at total cost of | $16,927.42 | | |
| 86 ft. drifting at total cost of | 2,721.35 | | |
| Total disallowed by Finance Office | | $19,648.77 | |
| 2. Per audit dated March 20, 1953: | | | |
| Electric power | * $96.81 | | |
| Total disallowed per audit | | 96.81 | |
| Total Disallowed | | | $19,745.58 |
| * The audit of 3/20/53 also takes exception to an amount of $8,373.75 for 797.5 ft. of churn drilling in addition to the amount disallowed by the Finance Office. The Operator had already been reimbursed for the amount of the Government's contribution; and as the work has now been made acceptable, the amount of the exception is not considered for reinstatement. | | | |
| Adjusted Total Costs | | | $75,773.33 |
| **Amounts disallowed which are now subject to reinstatement:** | | | |
| 115 ft. churn drilling at $10.50 per foot | | $1,207.50 | |
| 86 ft. drifting at total cost of | | 2,721.35 | |
| Total possible reinstatement (subject to audit) | | | 3,928.85 |
| Total Acceptable Cost (subject to audit) | | | $79,702.18 |

**Recapitulation**

| | |
|---|---|
| Total amount reported by Operator through January, 1953 | $95,518.91 |
| Net disallowances not reinstatable | 15,816.73 |
| Total Acceptable Costs (subject to audit | $79,702.18 |
| Government participation at 50 percent | $39,851.09 |
| Total Prior Payments | 37,935.09 |
| Balance Due The Operator | $ 1,916.00 |

In addition to the reinstatable work, the field office on page 2 in the memorandum under item 2 recommends payment for 94 feet of crosscut to connect the 625 level to the bottom of the churn drill hole. Please give us your interpretation of the contract relative to the allowability of the 94 feet of crosscut.

Form MF-104 records indicate that the Government has an equity in the following items of property, plus an undetermined amount reported under item (3) "Other" on form MF-104:

| | |
|---|---|
| Pipe | $2,798.33 |
| Track | 1,777.35 |
| Operating Equipment | 12,989.85 |
| Total | $17,565.53 |

RECEIVED
JUN 27 1956

Under the circumstances, the matter of extending the period for completion of the project work for an additional period appears to be a matter of DMEA policy. This office would be agreeable to terminating the contract with a pseudo certification rather than to keep the account open for an indefinite period; however, there are other factors to be considered. If the property liquidation was to be forced at this time, it is doubtful that the Government would realize the full value of its interest in the jointly owned property acquired under the contract.

After you have reviewed the matter, we will appreciate receiving your comments and advice.

Very truly yours,

W. M. Traver

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

Encls.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
BOX 4097
TUCSON 5, ARIZONA

DMEA
Date Rec'd.
RECEIVED JUN 20 1956
JUN 27 1956
BUREAU OF MINES
Denver, Colorado

June 18, 1956

Memorandum

To : W. M. Traver, Executive Officer, DMEA Field Team

From : Superintendent, Southwest Experiment Station

Subject : Interim Report, Docket DMA-371X, Contract Idm-E67, (Zinc-Lead), Peru Mining Co. (Grant County Mine), Grant County, N. Mex.

On June 14, 1956, I visited the office of the Peru Mining Co. in Grant County, N. Mex. and discussed DMEA Exploration Project Contract No. Idm-E67 with Joseph H. Taylor, Vice-President and General Manager, and J. W. Faust, Assistant General Manager. Later, I visited the 625-foot level of the Kearney mine with Faust and checked the diameter of the churn drill hole, which was drilled in 1952-1953 for ventilation purposes, and measured the crosscut to this hole from the contract drift.

In 1952-1953, this churn drill hole was drilled from the surface to the Kearney 625-foot level as provided for in Contract Idm-E67. However, the hole was not drilled vertically so missed its objective, the 625 level drift. When completed in 1953, the hole had a 6-inch diameter in the lower part, whereas the contract called for at least 9 inches. In January 1954, the project was recessed before the churn drill hole had been found and also before it has been reamed to at least 9 inches.

The Peru Mining Co. had given a contract to the Johnson Drilling Co. in 1952 to drill this hole at a cost of $10.50 a foot. This sub-contract was approved by the DMEA Field Team on January 24, 1952. The Johnson Drilling Co. ran into difficulties in drilling the hole, but finally completed it at 912.5 feet in November 1953. However, the company had to pay an additional sum to the sub-contractor before the hole could be completed. On October 30, 1952, a total of 797.5 feet of hole had been completed for $8,373.75. This amount had been approved by DMEA and 50 percent of the total cost paid to the operator On November 30, 1952, the operator reported an additional 115 feet

CC W. M. Traver (8)
J. N. Faick
DMA-371X
DF

WRStorms:frj

of hole (making the total depth 912.5 feet) for a cost of $16,927.42. In order to complete the hole, the operator had paid the sub-contractor this additional sum without asking for a contract amendment and without the approval of DMEA. This $16,927.42 was disallowed because the hole had not been drilled to a minimum diameter of 9 inches, the hole had not been connected to the 625-foot level, and the sub-contract limited the cost to $10.50 a foot.

In January 1954, the contract drift was advanced for a total cost of $2,721.35, but this amount also was disallowed, because of an audit made by Donald T. Finch, auditor for DMEA, on February 23, 1953. In the audit, the sum of $8,373.75, which previously had been approved for this churn drill hole, also was disallowed until the hole could be reamed out and connected to the 625-foot level drift.

Recently the churn drill hole was connected to the Kearney 625-foot level drift by a 94-foot crosscut and the hole reamed to a 12-inch diameter. The writer measured the crosscut and drill hole on June 14. The operator used a short-wave radio to locate the hole on the 625-foot level, placing a sending set on the surface with the antenna in the hole and a receiving set on the 625-foot level.

As the hole now has been reamed to 12-inches and is connected to the 625-foot level by a crosscut, I recommend that the $8,373.75 disallowed by the auditor be reinstated. I also recommend that the remaining 115 feet of hole be paid for at the rate of $10.50 a foot. I also recommend that the $2,721.35 disallowed for January 1953 be reinstated. However, as the operator evidently does not intend to start work again on the project at this time, payment should be withheld until after another audit has been made and the contract terminated.

As the operator does not seem to know the proper method of reclaiming the above amounts, it should be informed of the proper method of applying for reinstatement.

Although the 94-foot crosscut was driven while the project was recessed, it would seem to be a part of the project as the churn drill hole drifted through no fault of the operator. The contract provides for approximately 350 feet of crosscutting at a cost of $30 a foot.

In talking to Taylor and Faust, they told me that they recently had drilled two diamond drill holes upward from the 625-foot level contract drift without waiting for the amendment to the contract, which was applied for on April 17, 1956. These holes did not find any ore, so it seemed useless to drill additional holes. Therefore, Taylor wrote you on June 15 and requested that the project again be recessed "until the price of zinc and the cost of mining work has been adjusted to justify exploration for zinc ore in this area."

Walter R. Storms

Walter R. Storms

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

June 15, 1956

RECEIVED
JUN 27 1956

DMEA
Date Rec'd
JUN 19 1956
BUREAU OF MINES
Denver, Colorado

RE: Docket DMEA 371
(Lead-Zinc-Copper)
Contract Idm-E67

Mr. W. M. Traver, Executive Officer, DMEA
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Traver:

During the past eight months we have been enlarging the churn drill hole from the surface to the 625 level where the drift, under our DMEA contract Idm-E67, was driven.

Mr. Walter R. Storms, Superintendent, Southwest Experiment Station at Tucson, came here yesterday and inspected this churn drill hole and the crosscut to the churn drill hole which was made necessary. The location of the churn drill hole on the 625 level was determined by electronic instruments.

In our correspondence we have advised you that we wish to carry out, in every respect, our DMEA contract. However, the price of zinc in relation to the cost of mining has changed so much over the five year period that we can not see the advisability of continuing at present. Actually, we can not make enough money in our zinc operation to carry this on, although we would like to see it carried on, but we have wished to do the reaming of this churn drill hole so that we would have carried out the plan at the time we agreed to the contract. It was unfortunate that our contract with Mr. Johnson, to drill this churn drill hole to the 625 level, at his own suggested contract price, turned out to be such a sad contract in that he was unable to do the work for anything like the contract price, and in order to get down to the 625 level, at even a 6" plus hole, we paid him a great deal more than the contract price and then he went practically broke and could not go on any farther. In order to complete the job, we engaged McBee Drilling Company to complete the hole. The total amount of money spent on this was $38,229.17. We realize, of course, that this expenditure was far in excess of the contract work for this part of the DMEA contract. However, we believe that the DMEA contract should have been amended to include more or less the total amount for the drill hole and the cross cut. The crosscut advanced 94 feet @ $30.00 per ft. for a total of $2,820.00

During the past six months we also put up two diamond drill holes from a station on the 625 level contract drift. We wished to get this work done regardless of whether it was in the contract or not. However, although the contract had

been suspended for the time being, it was our hope that if we hit ore in these holes both the company and the DMEA would be benefited by the finding of this ore, and we suggest that this diamond drilling be included in the contract in as much as diamond drilling is included in the original contract. These two holes were drilled with company owned equipment and the total footage was 241 feet @ $3.65 per foot for a total of $879.65.

As we have written above we now suggest an amendment to the contract in a recessed period until the price of zinc and the cost of mining work has been adjusted to justify exploration for zinc ore in this area. We also want you to understand that we can not spend the money for this exploration contract under present conditions.

Sincerely yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

cc: Mr. C. M. Mittendorf, Administrator
Mr. Walter R. Storms, Tucson
Mr. Morris Blumberg, President
Mr. L. F. Johnson, Vice President
Mr. J. S. Flory, Jr., Secretary

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

RECEIVED
APR 27 1956

224 New Customhouse
Denver 2, Colorado

April 25, 1956

Memorandum

To: W. R. Storms
J. N. Faick

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 371 (Lead-Zinc-Copper), Contract Idm-867, Peru Mining Company (Grant County mine), Grant County, New Mexico

Reference is made to a letter, dated April 17, 1956, from Joseph H. Taylor, Peru Mining Company, wherein he requests an amendment to Contract Idm-867 to extend the time for completion of the contract work and the Government's approval of 600 feet of diamond drilling above the end of the DMEA drift. The original of the letter from Mr. Taylor indicates that you were provided with a copy.

Please submit a memorandum report of your recommendations in the matter, complete with a map depicting the proposed drilling.

The Operator failed to indicate the extent of time desired to extend the completion period. Therefore that matter should be resolved by you and stated in your report. Also, please ascertain the date operations will be resumed under the contract for use in extending the recess period. It will be necessary that the Amendment be prepared in the Washington Office. Therefore, approximately thirty days should be allowed after the matter leaves your hands for it to be resolved.

W. M. TRAVER
W. M. Traver

Enclosure
JWF:prl
cc: Chairman, Oper. Comm. (2) } w/copy of Operator's letter
Marshman } of April 17
Townsend
Corres. file
Chron.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

April 17, 1956

Re: Docket DMEA 371
(Lead-Zinc-Copper)
Contract Idm-E67

Mr. W. M. Traver, Executive Officer, DMEA
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Traver:

Since my letter of January 10th to you and Mr. Mittendorf's letter of February 2nd, we have completed the churn drill hole, 12" in diameter, to the drift on the 625 foot level. This drill hole has given us ventilation in the exploration drift and we now suggest an amendment to our DMEA contract.

The drifting for this contract is less than half completed and the expenditure is more or less in proportion. The price of zinc, which is now 13½¢ a pound, is so low that we would not be justified in spending the rest of the money for the drift, even though we should encounter the ore which we expect to encounter under the Grant County Mine. However, there is a possibility that above the present drift, toward the end, there may be ore at the top of the Crinoidal limestone where several pre-ore fractures have been encountered by drifting. Some additional ore off to the west of this area has been developed and we are now mapping this DMEA drift with the thought that we may find ore in this area.

We, therefore, ask for an amendment extending the time for completion of the DMEA contract 371 and permit approximately 600 feet of diamond drilling above the end of this drift.

The Defense Minerals Exploration now has invested in this project some $38,000 and, of course, we have an equal amount plus an additional $38,229.17 for a drill hole, part of which should have been paid for by Defense Minerals Exploration Administration, and in order to have this returned, we would be obliged to find a good ore body someplace.

We, therefore, request an extension of the time for completion and an amendment covering this diamond drilling.

Very truly yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

cc: Mr. C. M. Mittendorf, Administrator
Mr. Rex Storms, Tucson, Bureau of Mines
Mr. Morris Blumberg, President
Mr. L. F. Johnson, Vice President
Mr. J. S. Flory, Jr., Secretary

File Copy
Surname
Griswold
Guhan
Kiilsgaard
Selfridge
Rippon
Mittendorf

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

FEB - 2 1956

Mr. Jos. H. Taylor, Vice President
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. Taylor:

I have a copy of your January 10 letter to Mr. W. M. Traver regarding the cited project. I note your statement: "It is our desire to continue this contract Idm-E67 ,..."

You should therefore write to Mr. Traver requesting an amendment to continue the recess period and extend the period for completion of the work. We understand that, since you are having some difficulty regarding ventilation, you may not be able to give a precise date for resuming project work. Nevertheless, you should give him a date which would represent a reasonable estimate.

Sincerely yours,

C. O. Mittendorf

Administrator

WRGriswold/er 1/30/56
Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr, Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.
Region III, (2)

R.S.G.

File Copy
Surname

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

500

FEB - 2 1956

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg.
Denver 2, Colorado

Re: Docket No. DMEA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. Traver:

We have your letter of January 13, with enclosure, relative to the cited project.

Since this Operator definitely states that it desires to continue with the contract, and is already taking the preliminary steps toward project resumption, we have written to the company regarding a further recess.

Sincerely yours,

Chairman, Operating Committee

WRGriswold/er 1/30/56
Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Aiilsgaard, USGS
Chron.

APPROVED:

Member, Bureau of Mines

Member, Geological Survey

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

RECEIVED
JAN 16 1956

224 New Customhouse
Denver 2, Colorado

January 13, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 371 (Lead-Zinc-Copper), Contract Idm-E67, Peru Mining Company, Grant County, New Mexico

Enclosed are four copies of Operator's letter of January 10, 1956, which is in reply to our letter of January 5, copies of which were forwarded to you.

We have attempted to obtain a definite commitment from the Operator relative to the extension of the period during which operations will be suspended. However, he has evaded a direct reply to our inquiry.

Please advise as to how we should proceed in the matter.

W. M. Traver

Enclosures

MINE: HANOVER, N. M. MILL: FORMIGO, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

January 10, 1956

DMEA
Date Rec'd

JAN 12 1956

BUREAU OF MINES
Denver, Colorado

RECEIVED
JAN 16 1956

Re: Docket DMEA 371
(Lead-Zinc-Copper)
Contract Idm-E67

Mr. W. M. Traver, Executive Officer, DMEA
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Traver:

Your letter of January 5th has been received and carefully read.

As soon as we got the mine started, we put a crew of men cleaning out the drill hole which was drilled under this contract so that we would have air down at the 625 foot level where the drift is going out to the Grant County. This work is not completed but we have had a crew of men on this ever since. We cleaned out the 6" hole down to the bottom and then started to ream this to 12" and a bit was stuck in it. We are still working to ream this out so that actually we have been working on the project. However, no charge has been made against the contract.

We also surveyed this hole electronicly and have drifted over part way to the hole which has deviated.

It is our desire to continue this contract Idm-E67, and as soon as we complete the hole so that we can put good air at the 625 level, I will advise you.

Very truly yours,

PERU MINING COMPANY

J. H. Taylor

J. H. Taylor
Vice President

JHT:P

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

224 New Customhouse
Denver 2, Colorado

January 5, 1956

Mr. Joseph H. Taylor, Vice President
Peru Mining Company
Silver City, New Mexico

Re: Docket DMEA 371 (Lead-Zinc-Copper),
Contract Idm-E67

Dear Mr. Taylor:

Reference is made to our letter to you of November 29, 1955, which was in reply to your letter of November 18, 1955, regarding resumption of work under Contract Idm-E67.

Under the provisions of Amendment No. 7, the suspension of operations was extended to November 1, 1955, and the period for completion of the project work was extended to December 18, 1956.

Inasmuch as the date fixed for the end of suspension of operations of November 1, 1955, has passed, and as we have not received advice from you that work operations under the Contract were resumed, we assume that they were not. Therefore, under those circumstances, you are in default of the Contract for not having resumed work by the stipulated date.

If you are desirous of maintaining the contract in force, it is necessary that you obtain the Government's agreement to a further extension of the period for suspension of operations. We will appreciate prompt advice as to your intentions or desires in the matter.

Very truly yours,

W. M. Traver

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

JWT:prl
cc: Chairman, Oper. Comm. (2)
Harshman
Storms
Faick
Townsend
Corres. file
Chron.

File Copy
Surname
Klugescheid.
Selfridge.
Fehlman

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

DEC - 2 1955

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg.
Denver 2, Colorado

Re: Docket No. DMEA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. Traver:

We refer to the letter of Mr. Jos. H. Taylor, dated November 4, 1955, to you concerning the cited contract.

Mr. Taylor seems to be a bit confused and mentions that their contract was to expire the end of October. The fact is that the suspension period is what expires. The completion date of the contract is December 18, 1956.

You might explain this to him if you have not already done so.

We will await their decision as to whether they wish to resume work on the DMEA contract or not.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (GCS)

APPROVED:

/s/ Robert W. Geehan (GCS)
Member, Bureau of Mines

Thor H. Kiilsgaard (GCS)
Member, Geological Survey

NWPKlugescheid/er 12/1/55
Copy to: Docket
Admr & File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

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

224 New Customhouse
Denver 2, Colorado

November 29, 1955

Mr. Joseph E. Taylor, Vice President
Peru Mining Company
Silver City, New Mexico

RECEIVED
DEC - 1 1955

Re: Docket DMEA 371
(Lead-Zinc-Copper)
Contract Lzn-267

Dear Mr. Taylor:

Reference is made to your letter of November 18, 1955, wherein you advise that you are now preparing to ream the churn drill hole and requested that the contract completion date be extended for another period.

Before action can be taken on your request, we will need the information as to the date on or before which you contemplate resuming the work under the contract and the length of time you estimate it will be necessary to enable you to complete the work thereafter.

Very truly yours,

E. M. Hanchman

E. M. Hanchman
Acting Executive Officer, DMEA
Field Team, Region III

JHT:prl
cc: Chairman, Oper. Comm. (2) ) w/copy of Operator's letter.

MINE: HANOVER, N. M.

MILL: PERUNDL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

November 18, 1955

DMEA
Data Section
NOV 21 1955
BUREAU OF MINES
Denver, Colorado

Re: DMEA-371 (Lead-Zinc-Copper)
Peru Mining Company (Grant County Mine), Grant County, New Mexico - Contract Idm-E67

RECEIVED
DEC - 1 1955

Mr. W. M. Traver
Executive Officer, DMEA
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Traver:

Since my letter of November 4th I have taken up the matter with the President of our company and he is in favor of extending our DMEA contract Idm-E67.

We are now preparing to ream the churn drill hole, which was put down at 12" to a depth of 561 feet and then a smaller hole down to the 625 level, in order that we can get sufficient air for ventilation in the drift. As I mentioned to you, our DMEA contract expired at the end of October and our President wishes to extend it for another period.

Very truly yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

cc: Mr. Morris Blumberg, President
Mr. L. R. Berkey, Vice President

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

224 New Customhouse
Denver 2, Colorado

November 8, 1955

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 371 (Lead-Zinc-Copper), Contract Idm-E67, Peru Mining Company, Grant County, New Mexico

In conjunction with resumption of work by the Operator under the subject contract, we are enclosing the original and three copies of a letter from Jos. H. Taylor, Vice President, Peru Mining Company, dated November 4, 1955.

W. M. Traver

By J. W. Townsend

Enclosures

MINE: HANOVER, N. M.

MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

November 4, 1955

DMEA
Ore Reserves
NOV 7 1955
BUREAU OF MINES
Denver, Colorado

Re: DMEA-371 (Lead-Zinc-Copper)
Peru Mining Company (Grant County Mine), Grant County, New Mexico - Contract Idm-E67

Mr. W. M. Traver
Executive Officer, DMEA
Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Dear Mr. Traver:

As you know we kept the Kearney Mine pumped dry during the period when we were shut down. We are now starting to open up Kearney and ship ore to our mill, and we are considering whether or not we should go on with DMEA Contract Idm-E67. As you know, when this was undertaken, the price of zinc was very much higher than at present and now many of the zinc smelters indicate that the price will not go above 13¢. As far as I can tell, the ore which we were planning on opening up at Grant County, in all probability, can not be mined for 13¢ per pound, and of course, if there is no chance of a higher price for zinc, it is a problem for us to spend all this money to open up the area and then not be able to operate.

Our contract was to expire at the end of October and I will write you again if, after careful consideration, we think this should be extended so that we can go to work.

Very truly yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

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

224 New Customhouse
Denver, Colorado

July 12, 1955

Memorandum

To: Chairman, Operating Committee

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-371 (Lead, Zinc, Copper), Contract Idm-E67, Peru Mining Company, Grant County, New Mexico

Enclosed are the Government, Division and Docket copies of Amendment No. 7 to the subject contract which was prepared in Washington and signed by the Administrator, DMEA, for the Government and forwarded by your letter of June 24, 1955 for signature by the operator.

Copies of the amendment have been given to the operator, the Finance Office, Region III, and a copy has been retained for our files.

W. M. Traver

W. M. Traver

Enclosure

File Copy
Surname

Finnell
Talbot
Selfridge
Fitzmaurice

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

JUN 2 4 1955

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg.
Denver 2, Colorado

Re: Docket No. DMEA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. Traver:

As indicated in the June 8 letter of the Administrator to Mr. Joseph H. Taylor (copy to you), we are enclosing the original and five copies of Amendment No. 7 to the cited contract.

If the amendment meets with your approval will you please present it to the Operator for signature and distribute the copies in the usual manner. Otherwise all copies should be returned to us with your comments.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (JHB)

Enclosures

WRGriwold/er 6/21/55

APPROVED:

J. H. Hedges (JHB)
Member, Bureau of Mines

Thor H. Kiilsgaard (JHB)
Member, Geological Survey

Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

File Copy
Surname

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

June 15, 1955

Memorandum

To: Acting Assistant Solicitor, Defense Minerals

From: Chief, Base Metals Division

Subject: Preparation of Amendment No. 7 to Docket No. DMEA-371 (Lead-Zinc-Copper), Contract No. Idm-E67, Peru Mining Company, Grant County, New Mexico

Will you kindly prepare an Amendment No. 7 to the cited contract which will have the following effects:

Preserve the "pseudo-certification" of Amendment No. 4.

Extend the recess period from July 18, 1953 to November 1, 1955.

Completion period is extended to 5 years and 5 months, or to December 18, 1956.

The repayment period apparently does not need to be further extended since the pseudo-certification of Amendment No. 4 provides for 15 years.

W. R. Griswold

W. R. Griswold

WRG/cr

Copy to: Docket
Base Metals
Chron.

File Copy
Surname
Griswold

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

JUN - 8 1955

Mr. Joseph H. Taylor, Vice President
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMEA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. Taylor:

This will acknowledge your letter of May 26, referring to the cited contract.

I note in your statements that the property is being maintained in good stand-by condition, with the water pumped out, and that such maintenance work is regularly being inspected by you. It is also my understanding that you plan on resuming operations as soon as it is practicable for your company to do so.

In view of this we are preparing an amendment to the contract which will continue the recess period until November 1, 1955. This amendment will be forwarded to Mr. W. M. Traver, Executive Officer, Region III, Denver, Colorado for transmittal to you.

Sincerely yours,

C. O. Mittenderf

Administrator

WRGriswold/er 6/7/55

Copy to: Docket
Region III (2)
Adm R. File
Cp. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

R.C.B.

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

June 6, 1955

Memorandum

To: The Administrator

From: Chief, Base Metals Division

Subject: Docket No. DMA-371 (Lead-Zinc-Copper), Contract No. Idm-E67, Peru Mining Company, Grant County, New Mexico

Please note the attached May 26 letter requesting an additional recess. Property has now been in recess since the end of 1952, yet the Operator is maintaing everything in good stand-by condition and is apparently anxious to resume as soon as is practical.

May I have your comments.

In the circumstances - yes - extend to 11/1/55 which will make a total of 2 yrs in recess. So long as Congress remains in session - there is some chance of legislation favoring the Pb-Zn industry. Moreover - we know that the industry generally is re-evaluating its hand cards. Now, should give time to thoroughly assess the picture

W. R. Griswold

W. R. Griswold

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

May 26, 1955

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 31 1955

Re: Docket No. DMA-371
(Lead-Zinc-Copper)
Contract No. Idm-E67

Greenwald
Kelly

Mr. C. O. Mittendorf, Administrator
U. S. Department of the Interior
Defense Minerals Exploration Administration
Washington, D. C.

Dear Mr. Mittendorf:

We are still keeping the water out of the sixth level at Kearney Mine and protecting the property as much as we can so that there are no caves underground and the shaft has been maintained in good shape. I, personally, have gone down to inspect the pumping and so forth regularly for the past six months.

There is some indication that the price of zinc may go up to where we can operate if the Government continues the purchase of newly mined zinc for the stockpile, and it may be that you will be willing to extend our DMEA contract for an additional period.

Sincerely yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

cc: Mr. W. H. King, Executive Officer, Denver

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

224 New Customhouse
Denver 2, Colorado

January 27, 1955

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMA-371 (Lead-Zinc-Copper), Contract Idm-E67, Peru Mining Co., Grant County, New Mexico

Enclosed are the Government, Division, and Docket copies of Amendment No. 6 to Contract Idm-E67 which was prepared in Washington and signed by the Administrator, DMEA, for the Government, and forwarded by your letter of January 10, 1955 for signature by the operator.

Copies of the amendment have been given to the operator, the Finance Office, Region III, and a copy has been retained for our files.

W. M. Traver

W. M. Traver

Encls.

File Copy
Surname
Griswold
Talbert
Selfridge
Bjorman

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

JAN 10 1955

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Re: Docket No. DMA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. King:

Referring to your letter of November 5, covering the cited contract, we are enclosing the original and five copies of Amendment No. 6. Kindly present them to the Operator for signature and make distribution in the usual manner, or, if you are not in accord, return all copies to us with your comments.

We regret the delay in replying to your letter, but a question of policy was involved which required proper clearance.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (GCS)

WRGriswold/er 12/31/54
Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

Enclosures

APPROVED:

J. H. Hedges
Member, Bureau of Mines (JHH)

Thor H. Kiilsgaard
Member, Geological Survey (THK)

R.C.S.

File Copy
Surname

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

December 17, 1954

Memorandum

To: Acting Assistant Solicitor, DMEA

From: Chief, Base Metals

Subject: Preparation of Amendment, Docket No. DMA-371, Peru Mining Co. Grant County Mine, Grant County, New Mexico, Contract No. Idm-E67, Lead-Zinc-Copper)

Will you kindly prepare an Amendment No. 6 to the cited contract which will:

1. Extend recess period to June 1, 1955.

2. Extend the work completion period to five years.

Maintain all safe-guard provisions of former amendments.

W. R. Griswold
W. R. Griswold

mh/er
Copy to: Docket
Base Met. 2
Chron.

File Copy
Surname

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

DEC 16 1954

Mr. Jos. H. Taylor, Vice President
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. Taylor:

Your letter of November 2, addressed to Mr. W. H. King, has been referred to me.

I note your company is keeping the Kearney mine pumped out and in proper stand-by condition, and that you plan to resume the project work as soon as market conditions permit. In view of the fact that the property is being maintained in good order, with no intent or indication of project abandonment, we are preparing an amendment to the contract which will continue the recess period until June 1, 1955.

This amendment will be forwarded to Mr. W. H. King for transmittal to you.

Sincerely yours,

C. O. Mittendorf

Administrator

WRGriswold/bjl (12/16/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
~~Mr. Kinkel~~
Mr. Kiilsgaard
Chron.
Region IV (2)

C

N Sir RR

**Memorandum** December 14, 1954

To: Mr. W. R. Grimsold, Director
Base Metals Division

From: Administrator

Subject: Your memorandum of November 15, 1954, re Peru Mining Company, DMEA-371, Contract Idm-867

I have delayed replying to your memorandum until I had the opportunity to discuss our "recess" policy with Mr. Worsser's office. This I accomplished only this morning.

I stated that, although our operations must be highly flexible and we must treat each case individually, all recess problems seem to fall within either one of about three distinct categories for which more or less general criteria might be established.

I placed the Peru Mining Company request in the category of projects where the operator was maintaining his property in standby condition, at his own expense, and had indicated no intention to abandon the exploration project. I explained the nature of the exploration project, the progress which has been made to date, the economic and practical considerations which caused the suspension of activity, and the steps which the DMEA has already taken to protect its interest in the funds already advanced. Also that the target potentials have not been lessened by the work already accomplished. I stated my desire to continue to cooperate by granting further recesses for operators who meet these general criteria on the grounds that it is in the best interest of the Government to so encourage the resumption of activities so long as lead and zinc remain on the list of commodities eligible for assistance and sufficient borrowing authority funds are available.

Mr. Liebert agreed wholeheartedly with these general criteria and suggested that we do grant Peru another recess to June 1, 1955.

He suggested that we point out to the operator that we are granting this further recess because he has continued to maintain the property in standby condition at his own cost and because he has shown no intention to abandon the project. I shall leave it to John Hoffland's judgment whether or not that statement should appear as a "whereas" clause in the new recess agreement or be put in the letter of transmittal.

I spoke of the "other categories" in very general terms. I mentioned the George Snyder projects which are examples of mines that are not kept in standby condition but, on the contrary, where the protection of Government equipment and materials has been neglected. These factors certainly do not indicate the operator's intention to complete the exploration project. The Peru criteria have not been met and different treatment is required.

Another class of project perhaps closely tied to the above is the type that was approved early in the the program when lead and zinc were in short supply and DMEA criteria were less stringent. In many instances, such cases could not pass a re-evaluation test under present-day criteria. If not, we could face up to the fact and perhaps justify the advantage to the Government by terminating (even without "pseudo" protection) in order to avoid spending more good dollars for bad where mediocre targets are concerned.

Mr. Liebert thought it would be find if we would continue our high degree of flexibility, but in so doing try to develop a few categories each having rather firm criteria. This is something for us to think over.

C. O. Mittendorf

Administrator

COMittendorf/fw

cc: Admr. Reading File
Docket
Mr. Mittendorf

File Copy
Surname

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

N.S. in R.R.

November 15, 1954

Memorandum

To: Administrator

From: Chief, Base Metals Division

Subject: Docket No. DMA-371, Peru Mining Company, Grant County Mine, Grant County, New Mexico, Contract No. Idm-867, Lead-Zinc-Copper.

I refer you to the attached letter from the cited Operator regarding further recess of contract. You will note it states that they are keeping the mine pumped out and in good order.

The project has been idle since the end of 1952, whether or not to grant a further recess now appears to be a policy matter.

W. R. Griswold

W. R. Griswold

WRG/er 11/15/54

Copy to: Docket
Base Metals
Chron.

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

Defense Minerals Administration
RECEIVED
NOV 8 - 1954

224 New Customhouse
Denver 2, Colorado

November 5, 1954

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA 371X (Lead-Zinc), Contract Idm-E67, Peru Mining Company, Grant County, New Mexico

Enclosed are the original and three copies of a letter dated November 2, 1954 from Joseph H. Taylor, Vice President, Peru Mining Company, wherein he requests information as to the DMEA position in further extending the suspension of operations under the subject contract.

As extending the period of suspension of operations involves DMEA policy we are forwarding the matter for your consideration and appropriate action.

John F. Shaw
For W. H. King

Enclosures

MINE: HANOVER, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

MILL: PERUHILL, N. M.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 8 - 1954
Mining Division
Date Rec'd.
Nov 4 1954
BUREAU OF MINES
Denver, Colorado

November 2, 1954

Re: Docket DMA-371X (Lead-Zinc)
Contract Idm-E67

Mr. W. H. King, Executive Officer
Defense Minerals Exploration Administration
Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Dear Mr. King:

Referring to the above, we have been keeping the Kearney Mine pumped out so that if the price of zinc went up we could go ahead with this exploration program and for the past month and a half we have been repairing the shaft timbers and the equipment which we would use at Kearney. However, a price of 11½¢ for zinc is not sufficient to justify the operation of Kearney Mine and it would be out of the question to go ahead with this exploration program because the costs would be excessive if we are not operating the mine at the same time.

I do not know whether the DMEA considers that it should continue to extend the time on these contracts or not, but I would like to know what your position is.

Sincerely yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

cc: Mr. Morris Blumberg, President
Mr. L. R. Berkey, Vice President

JHT

[illegible]
Received
[illegible]
[illegible]

224 New Customhouse
Denver, 2, Colorado

November 8, 1954

Mr. Joseph H. Taylor
Vice President
Peru Mining Company
Silver City, New Mexico

Re: Docket DMEA 5711
(Lead-Zinc-Copper)
Contract IC-367

Dear Mr. Taylor:

Your attention is directed to the provision of Amendment No. 4 to Contract IC-367, as amended by Amendment No. 5, which establishes November 1, 1954 as the date on which operations are to be continued under the terms of this contract.

We will appreciate advice as to your earliest convenience as to your plans relative to resumption of work on exploring the exploration contract.

Very truly yours,

[illegible]
Executive Officer, DMEA
Field Area, Region IV

JWT:jp
cc Subject
Chron
Stone
Koschmann
Townsend
Chairman; Op. Comm.

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

224 New Customhouse
Denver 2, Colorado

May 28, 1954

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 371 (Lead-Zinc-Copper), Contract Idm-E67, Peru Mining Company, Grant County Mine, Grant County, New Mexico

Enclosed are the Government, Division, and Docket copies of Amendment No. 5 to Contract Idm-E67 which was executed by you to grant an additional six months' recess and extension of completion time for the contract.

Copies of the amendment have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W. H. King

Enclosures

File Copy
Surname

500

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

MAY 19 1954

Mr. W. R. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-567

Dear Mr. King:

Referring to your teletype of May 6 and our teletype to you of May 12, both regarding the cited contract, we are enclosing the original and five copies of Amendment No. 5.

Will you kindly present the amendment to the Operator for signature and distribute the copies in the usual manner. However, in case you should not be in accord with any of the provisions of the amendment, please return all copies to this office with your recommendations.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (GCS)

Enclosures 6

Approved:

J. H. Hedges
Member, Bureau of Mines (JHH)

T. P. Thayer
Member, Geological Survey (TPT)

WRGriswold/bjl (5/18/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Kinkel
Mr. Bishop
Chron.

R.C.S.

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

May 17, 1954

Defense Minerals Administration
RECEIVED
MAY 19 1954

Re: Docket No. DMA-371
Contract No. Idm-E67

Mr. C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration
U. S. Department of the Interior
Washington 25, D. C.

Dear Mr. Mittendorf:

Your letter of May 12th has been received and carefully read. No doubt I will hear from Mr. W. H. King, Executive Officer, DMEA Field Team, Region IV, in good time.

We wish to thank you for your decision to grant a further recess and it is our hope that there will be a change in the zinc situation in the near future so that we can open up our Kearney Mine and start the exploration work.

With kindest personal regards, I remain,

Sincerely yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

cc: Mr. W. H. King, Denver

File Copy
Surname

500

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

N. S. in R. R. May 13, 1954

Memorandum

To: Acting Assistant Solicitor, DMEA

From: Chief, Base Metals Division

Subject: Docket No. DMA-371, Peru Mining Company, Contract No. Idm-E67

Will you kindly prepare an amendment No. 5 to the cited contract which will provide for an additional six-month recess (May 1 to November 1, 1954) and a corresponding 6-month extension of contract completion period.

Since the so-called "pseudo certification" was written into Amendment No. 4, we presume it need not be repeated.

We should note that contract is automatically terminated if work is not undertaken on or before November 1, 1954. This had already been done in Amendment No. 4, as of May 1, 1954, which of course is now being cancelled out in that we are again recessing.

Griswold
W. R. Griswold
W. R. Griswold

WRGriswold/bjl

Copy to: Docket
Base Metals
Chron.

File Copy
Surname
Griswold
G. C. Selfridge

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

WRGriswold/bjl, Rm. 4058, Ext. 3669

T E L E T Y P E

Base Metals, DMEA, Interior

XXXXXXXXXX XXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXX X

MAY 12 1954

14X4401(01) Revolving Fund, Defense Production Act, Interior (allocated Working Fund to Office of the Secy)

Date:

To: W. F. King, Executive Officer, DMEA Field Team, Region IV, Denver, Colorado

Reurtt May 6, 1954, Docket DMA-371, Peru Mining Company, Contract Idm-767. We have received request from Operator for additional recess. Therefore, we shall prepare amendment here for six-month extension of recess period and like extension of completion time, and forward to you.

George C. Selfridge
Chairman, Operating Committee

written 5/12/54

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Kinkel
Mr. Bishop
Accounts
Chron.

R.C.S.

File Copy
Surname

Griswold
Johnson
Selfridge

500

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

MAY 12 1954

Mr. Jos. H. Taylor, Vice President
Peru Mining Company
Silver City, New Mexico

Re: Docket No. DMA-371 (Lead-Zinc-Copper)
Grant County Mine
Grant County, New Mexico
Contract No. Idm-267

Dear Mr. Taylor:

This will acknowledge your letter of May 7, 1954, regarding your Grant County mine exploration project.

You may be sure that we appreciate the position in which your company finds itself; obviously, the present condition of the zinc market has created many unexpected problems.

We are today sending a teletype to Mr. W. H. King, Executive Officer, DMEA Field Team, Region IV, 224 New Customhouse Bldg., Denver 2, Colorado, advising that we are preparing an amendment for an additional six-month recess and extension of completion time for the contract.

Sincerely yours,

C. O. Mittendorf

Administrator

WRGriswold/bjl (5/12/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kinkel
Region IV (2)
Chron.

R.C.B.

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

# REFERENCE SLIP

DATE 5/11

REFERRED TO:

Johnson

1. ~~100~~
2. 500
3.
4.

FOR:

| | |
|---|---|
| Action | Recommendation |
| Approval | Record of |
| Comment | |
| Conference | Referring to |
| Consideration | |
| Filing | Reply for signature of |
| Instructions | |
| Investigation | Rewriting |
| Initials | Signature |
| Mailing | Suggestions |
| Previous correspondence | Your information |

REMARKS:

Must prepare reply.

Check (X) before the items needing attention.

Initials of sender.

GPO 16—63815-1

Legislation rings not objection
to extension by executive orders.

Reversing President's policy
on appointing short period
due come up this 6 mos. JHG

Something to chew over -

1) As I recall - this is a pseudo-certification case, so govt is protected if work goes ahead & one found.

2) Advantages of refusing further recess & allowing contract to terminate - is windfall cash derived & otherwise to maintain good administrative housekeeping. Incidentally we do not need cash at this time.

3) Since DMEA appears destined to "go on" - we could make new contract - committing more funds later - to finish the original objective - if situations improve.

[illegible] discuss with [illegible] -

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

May 7, 1954

Defense Minerals Administration
RECEIVED
MAY 10 1954

Re: Docket No. DMA-371X
Contract No. Idm-E67

Mr. C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration
Department of the Interior
Washington 25, D. C.

Dear Mr. Mittendorf:

Over the past six weeks we have been expecting that Mr. Arthur Fleming would issue a statement in regard to purchase of metals for the stockpile, including lead and zinc, and have thought that because of this statement there would be some justification for us to prepare to start our Kearney Mine. However, no such announcement has been made and we are very much discouraged about the possibilities.

In regard to our contract Idm-E67, as you know, we can not do anything in regard to continuing this contract unless the price of zinc is sufficient to justify the operation of the Kearney Mine. However, over the past year we have kept the Kearney Mine pumped clear of water and we are draining the drift which was being driven toward the Grant County ore body so that in case we could open up the Kearney Mine, we could start again on this contract immediately.

All the equipment used in driving the drift has been kept in good shape, ready to proceed; however, as mentioned above, it would be fool-hardy to run this drift unless the mine is in operation, as the cost of pushing the drift would be many times what it would be while the mine is in operation.

We still are in hopes that something will be done which will increase the domestic price of zinc so that we can continue mining and we still would like to go ahead with contract Idm-E67. However, unless we have a further extension of this contract we can do nothing.

Any information which you can give me will be appreciated.

Very truly yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F
cc: Mr. W. H. King, Executive Officer
Denver, Colorado

C. O. Mittendorf
5-6-54
3:43 P.M.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 7 - 1954

BUR MINES DN235 5-6-54 12-43 PM

C O MITTENDORF

E
REFERENCE DOCKET DMA 371X, CONTRACT IDM-E67, PERU MINING COMPANY. FIELD ENGINEER HAS VERIFIED THAT WORK UNDER TEXXX THE CONTRACT WAS NOT RESUMED BY MAY 1,1954 AS STIPULATED UNDER AMENDMENT NO.4. PLEASE TELETYPE ADVICE AS TO HOW WE SHOULD PROCEED RELATIVE TO TERMINATING THE CONTRACT.

W H KING

MAY 7 8 02 AM '54

BUREAU OF MINES
MAIL ROOM
WASHINGTON, D.C.

FILE COPY
SURNAME:

500

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

Selfridge
RJ Smith

FEB - 9 1954

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-867

Dear Mr. King:

Enclosed are the signed Field Team and Finance Office copies of Amendment No. 4 to the above contract.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (JLS)

Enclosures 2

APPROVED:

J. H. Hedges
Member, Bureau of Mines (JLS)

A. R. Kinkel, Jr.
Member, Geological Survey (JLS)

WRGriswold/bjl (2/5/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kinkel
Mr. Bishop
Chron.

R.C.J. 2-9-54

FILE COPY
SURNAME:

500

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

FEB - 9 1954

Mr. Jos. H. Taylor, Vice President
Peru Mining Company
P. O. Box 309
Silver City, New Mexico

Re: Docket No. DMA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. Taylor:

This will acknowledge your letter of February 1, 1954, enclosing the six signed copies of Amendment No. 4 to the above contract. I am returning the "Operator's Copy", signed by the Government, for your files.

Sincerely yours,

SIGNED

Administrator

Enclosure

WRGriswold/bjl (2/5/54

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kinkel
Region IV (2)
Chron.

R.C.G. 2-9-54

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 3 1954

February 1, 1954

Unsworth
Betty

Re: Docket DMA-371X
Contract Idm-E67

Mr. C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration
U. S. Department of the Interior
Washington 25, D. C.

Dear Mr. Mittendorf:

Your letter of January 4th was received and I forwarded this information to the President of my Company, Mr. Morris Blumberg, and he has now advised me that he is in favor of the extension which you have granted.

We note that you are not authorized to grant indefinite extensions for time; however, we hope that something will develop this spring so that a start can be made on the project.

At present we are not doing any development nor any mining and as you probably know, not one pound of zinc is being produced in New Mexico this year, and unless something is done to discourage the foreigners from shipping zinc in, it does not look as if a pound of zinc will be produced in New Mexico during this entire year.

I am enclosing your copies of the Amendment Number 4, signed by me.

Sincerely yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

cc: Mr. W. H. King, Denver

Enc.

140

FILE COPY
SURNAME:

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

Hoffman
Freshman
Farrar
Hedges
Selfridge

JAN 4 1954

Mr. Jos. H. Taylor
Vice President
Peru Mining Company
P. O. Box 309
Silver City, New Mexico

Re: Docket No. DMA-371X
(Lead-Zinc)
Contract No. Idm-E67

Dear Mr. Taylor:

Mr. W. H. King, Executive Officer, Region IV, has referred to me your letter to him of November 23, in reply to his letter to you of November 18, all relating to the suspension of operations under the subject contract.

In your letter you say: "If you can grant us a further extension for a considerable period, we would be glad to work with you, but a short time extension does not seem to answer the question."

DMEA is not authorized to grant indefinite extensions of time for the completion of the work under exploration project contracts. Neither does DMEA deem it appropriate to terminate an operator's obligation to prosecute the work to completion on a favorable project, without some reasonable provision for repayment to the Government from production if the project should ultimately be completed and result in commercial production.

There is presented to you herewith for your signature a proposed Amendment No. 4 to the subject contract, which I believe you will find to be very liberal in allowing an extension of six months with a provision for automatic termination if the work is not resumed within that period; but with a reservation of the Government's rights with respect to a percentage royalty. If this meets with your approval, please execute all six copies of the amendment and return them to the Washington office of DMEA for my signature. I will return to you a fully executed copy.

Of course, if you are not interested in the six-months extension of time, the amendment can be revised to

R.G. 1-7-54

terminate the contract immediately, but with the Government's rights to a percentage royalty preserved.

Sincerely yours,

SIGNED

Administrator

Enclosures 6

JLHofflund/emd 12/29/53

Copy to: Docket
Adm. R. File
C. O. Mittendorf
W. R. Griswold
Operating Committee
Field Team, Reg. IV(2)
J. L. Hofflund
chron.
pending

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

224 New Customhouse
Denver 2, Colorado

January 4, 1954

Mr. Joseph H. Taylor
Vice President
Peru Mining Company
P. O. Box 309
Silver City, New Mexico

Re: Docket DMA-371X (Lead-Zinc)
Contract Idm-E67

Dear Mr. Taylor:

Enclosed is a letter to you from the Administrator, DMEA Washington, and the original and five copies of a proposed Amendment No. 4 to Contract Idm-E67 which is in conjunction with matter contained in your letter of November 18 relating to suspension of operations under the subject contract.

The enclosed material was forwarded from Washington to this office for transmittal to you.

Should you reply direct to the Administrator's letter or forward comments relative to the matter, we will appreciate receiving copies of all such correspondence.

Very truly yours,

W. H. KING

W. H. King
Executive Officer, DMEA
Field Team, Region IV

Enclosures

JWT:jp
cc Contract
Chron
WRStorms ) w/copy
AHKoschmann) Adm's ltr
AFShride )
JWTownsend )
COMittendorf

140

FILE COPY
SURNAME:

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

Rewritten by

Griswold
Chambers
Hofflund
Brophy
Larrabee
Selfridge
Hedges

DEC 30 1953

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-371 (~~Lead-Zinc~~)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. King:

Reference is made to your letter of November 27 to the Administrator enclosing copy of letter dated November 23 from the Operator to you.

Enclosed herewith are six copies of proposed Amendment No. 4 to the contract, and a covering letter of the Administrator to the Operator, which you will forward to the Operator if they all meet with your approval. If the Operator executes the amendment, all copies should be returned to the Washington office for execution by the Administrator.

If the Operator does not wish to enter into such an amendment or termination as is here proposed, we will have to decide what steps to take in view of the Operator's default under the contract, and will appreciate having your views in the matter.

WRGriswold/JLHofflund/emd
12/29/53

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (JLB)

Copy to: Docket
W.R.Griswold Adm. R. File
J. L. Hofflund Op. Comm.
chron. J.H.Hedges
pending T. P. Thayer
Enclosures

Approved:

J. H. Hedges (JLB)
Member, Bureau of Mines

D. M. Larrabee (JLB)
Member, Geological Survey

R.C.S. 12-30-53

FILE COPY
SURNAME:

500

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

Mr. W. N. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA-371 (Lead-Zinc)
Peru Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. King:

With reference to your letter of November 27, 1953, we are enclosing the original and five copies of Amendment No. 4 to the above contract, which have been signed by the Government.

If it should meet with your approval, will you kindly present all copies to the Operator for signature and distribute in the usual manner. In case it should not meet with your approval, and any changes you might wish to make lie beyond the range of your delegated authority, please return all copies to this office with your comments.

Sincerely yours,

Chairman, Operating Committee

Enclosures 6

WRGriswold/bjl (12/29/53)

APPROVED:

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kinkel
Chron.

Member, Bureau of Mines

Member, Geological Survey

FILE COPY
SURNAME:

Farrah

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

December 23, 1953

Memorandum

To: The Administrator

From: George C. Selfridge
Special Assistant

Subject: Amendment No. 4
Docket No. DMEA-371
Perm Mining Company
Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

A review of proposed Amendment No. 4 to the subject contract suggests two changes:

1. The third paragraph of page 1 states in part: "[illegible] and the Operator represents that it will not or cannot be remined and prosecuted to completion within the period limited by the contract." The Operator does not represent that the work cannot be completed within the period limited by the contract. It contends that the work cannot be prosecuted because of low metal prices. I believe that it would be well to re-word this paragraph in order that the Operator cannot contend that it can complete the work within the period limited by the contract.

2. Under No. 3, page 2, the entire period of suspension is considered to be from July 18, 1953, to May 1, 1954. The period should be from January 29, 1953, to May 1, 1954, because a six-month recess was allowed from January 29, 1953, to July 29, 1953, by a letter from Region IV dated February 3, 1953, signed by John F. Shaw.

George C. Selfridge

GCSelfridge/esf
cc to: Docket
Admr. R. File
Base Metals Div.
Mr. Hofflund
Mr. Johnson
Chron.

R.G.L. 12-30-53

FILE COPY
SURNAME:

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

140

N.S. in P.P.

December 8, 1953

Memorandum

To: The Administrator

From: Chief Counsel

Subject: Policy with respect to recessing operations for the benefit of the operator (Peru Mining Company, Docket No. DMA-371, Contract No. Idm-E67)

Reference is made to memorandum of the Chief, Base Metals Division, to the Chairman of the Operating Committee, dated December 2, referring to the above subject in general, but with particular respect to Peru Mining Company. You refer this to me with the query "Are Govt. rights impaired in any way by delaying a reply to the operator?"

It seems improper to me to agree to suspend operations under any exploration project contract indefinitely for the convenience of the operator.

Where an operator desires indefinite suspension for his own benefit and convenience, considerable sums of money have been spent under the contract, and completion of the project is considered by the Government to be desirable, I think that the suspension should not be granted. Rather, I think that the operator should be offered, in lieu of suspension, a termination of the contract with a provision in the termination agreement giving the Government all of the usual royalty rights just as if certification were made at the time fixed for termination. In presenting such a proposition to the operator, he should be notified that he is in default under the contract, that the Government will not agree to a suspension of operations, and that in the absence of the termination agreement suggested, the Government will hold him liable for all of the consequences of his default.

This seems to me like a very liberal position to take. It permits the operator to give up the project without any further liability except the possibility of paying

a royalty on production some time in the future. Of course, in particular cases, this may be too liberal, and it may be deemed necessary to hold the operator to his contract.

In response to your particular question, there should be no unreasonable delay in notifying the operator of the Government's position with respect to his unauthorized suspension. The operator's letter to Mr. King requesting further extension is dated November 23, and I think the sooner we make response the better the Government's position. We do not want the operator to be able to contend that the Government agreed to the suspension by its inaction.

You have indicated that Mr. Griswold is preparing some related data and that we should discuss the matter further.

J. L. Hofflund

J. L. Hofflund
Chief Counsel

Attachment

JLHofflund/emd

Copy to: Docket
W. R. Griswold
J. L. Hofflund
chron.

500

FILE COPY
SURNAME:

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

N.S. in R.R.

December 2, 1953

Memorandum

To: Mr. George Selfridge

From: Chief, Base Metals Division

Subject: Docket No. DMA 371, Peru Mining Company, Contract No. Idm-E67

The attached correspondence is self-explanatory.

The Operator has written a frank letter and I am referring it to you, since it becomes purely a policy matter.

The contract dated July 18, 1951, provides for a total expenditure of $225,000.00, of which approved expenditures to date are $67,399.58. No work has been done during the current year.

The work program provided for exploring for ores at a deeper horizon, of the old Grant County mine. Two recess periods of six months each have already been granted.

While the target is considered very promising, nevertheless a policy determination must be made as to how long the project can be permitted to lie dormant. A decision here will inevitably have an effect upon other idle projects of a generally similar nature.

W. R. Griswold

Enclosure
Copy to: Docket
Base Metals
Chron.

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 30 1953

224 New Customhouse
Denver 2, Colorado

November 27, 1953

Memorandum

To: C.C. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA 371X (Lead-Zinc), Contract Idm-E67, Peru Mining Company, Grant County, New Mexico

Enclosed are the original and three copies of a letter from Joseph H. Taylor, Vice President, Peru Mining Company, in reply to a letter to him from this office dated November 18, 1953. A copy of our letter of November 18 was forwarded to the Secretary to the Operating Committee.

Mr. Taylor requests a further extension of recess authorization for a considerable period. The matter is forwarded for your consideration and appropriate action.

W. H. King

W. H. King

Enclosures

MINE: HANOVER, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

November 23, 1953

MILL: PERUHILL, N. M.

DEPARTMENT OF ...
Defense Min...
RE...
NOV 30 1953

Re: Docket DMA 371X
Contract Idm-E67

Mining Division
Date Rec'd
NOV 25 1953
BUREAU OF MINES
Denver, Colorado

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Dear Mr. King:

Your letter in regard to the above contract has been received and carefully read. The price of zinc has now been down for many months and at the present price of zinc it would be useless to develop an ore body at Grant County so that any money spent on this project would seem to be futile at the present time.

We have been pumping the water out from the 625 Level so as to keep the project clear of water. We have also stored the equipment which we used, to protect it, but do not feel that we should go ahead with any work in connection with the project other than inspection and pumping of water.

If, in the near future, the price of zinc should go up and we would be able to start production of ore from the Kearney shaft, no doubt, it would be advisable to continue this exploration in order to develop the Grant County ore. But this might be a long time away.

If you can grant us a further extension for a considerable period, we would be glad to work with you, but a short time extension does not seem to answer the question.

With kindest personal regards, I am,

Very truly yours,

PERU MINING COMPANY

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 23 1953

224 New Customhouse
Denver 2, Colorado

November 18, 1953

Mr. Joseph H. Taylor
Vice President
Peru Mining Company
Silver City, New Mexico

Re: Docket DMA 371X
Contract Idm-E07

Dear Mr. Taylor:

Your attention is directed to the provisions under item 3 of Amendment No. 3 to Contract Idm-E07 which stipulates that the project work may be recessed during the period July 13, 1953 to November 1, 1953.

We have no record in this office which indicates that you resumed work prior to November 1, 1953, therefore if you are desirous of maintaining the contract in force it will be necessary for you to request an extension of the recess period, stating the date on or before which operations will be resumed.

Very truly yours,

J. W. Townsend
For W. H. King
Executive Officer, DMEA
Field Team, Region IV

JWT:jp
cc Contract
Chron
WRStorms
AHKoschmann
JWTownsend
Sec. to Oper. Committee

FILE COPY
SURNAME:

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

N.S. in R.R.

SEP 25 1953

Peru Mining Company, Grant County, New Mexico
Docket No. DMA 371, Contract No. Idm-E67

Contract date July 3, 1952, total amount $225,000.00.

Large magnitude project, program consisted of 4,000 feet of drifting, 7,600 feet of diamond drilling and 1,500 feet of churn drilling.

Work done to date is 1,715 feet of drifting and 912 feet of churn drilling. Work probably done with a reasonable degree of efficiency. Approved expenditure to date is $67,399.58.

No significant ore discovery reported so far. Would recommend that we show leniency to Operator within reasonable limits, no work since December 1952, but in June 1953, the Operator stated work might be resumed, contingent upon new arrangement with labor. Project is presently recessed by Amendment No. 3, to November 1, 1953.

This whole Silver City, New Mexico zinc area is now closed down due to unfavorable market conditions. We doubt that much work will be done on any zinc mine in this area until metal prices have substantially improved.

The target consists of the presumed downward extension of the Grant County Mine ore occurrences into the Hanover limestone, the most productive strata of the district. The project can properly be considered having excellent possibilities of developing major zinc ore bodies. The work done to date, while showings are so far negative, has not impaired the project potential, since the main target area is still a long distance off. Truly very few projects in our dockets are equal in potential to this one.

W. R. Griswold

W. R. Griswold

WRGriswold/hmj
(9/29/53)

CC to: Docket
Mr. Mittendorf
Mr. F. E. Johnson
Mr. Selfridge
Mr. Alt
Mr. Keating
Mr. Griswold
Chron.

FILE COPY
SURNAME: P-e
800

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

August 3, 1953

Memorandum

To: Mr. George C. Selfridge
Special Assistant to the Administrator

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

Subject: Your Memorandum to the Administrator Under Date of July 8, 1953, Re Docket DMA-371, Contract Idm-F67 Peru Mining Company, Grant County Mine

While you make reference to the audit report on the above-cited project and pose certain questions in regard to man power, the questions should be referred to the Field Team since they are more or less engineering matters.

You state that 32 man-days were charged for cagers in a month of 21 work days. An analysis of the six rolls submitted with the MF-104's shows that the exploration work was done by using 3 4-hour shifts on account of bad air. It is Dal's recollection that a separate hoist was used for the exploration although he was not certain. The 3 4-hour shifts would result in about 32 man-days in a 21-day month.

JLChambers/wb
August 3, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

R.C.S.
8-3-53

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

224 New Customhouse
Denver 2, Colorado

July 21, 1953

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Amendment No. 3 to Contract Idm-E67, Docket DMA-371, Peru Mining Company, Grant County, New Mexico

Enclosed are the original and two copies of Amendment No. 3 to the subject contract which (1) extends the life of the contract from 2 years to 3½ years; (2) changes the period of Government repayment from 10 years to 12 years; and (3) authorizes a recess to November 1, 1953.

Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W. H. King

W. H. King

Enclosures

case 7-24

FILE COPY
SURNAME:

500

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

Signed
Selfridge
Griswold
Wetherwax

JUL 9 1953

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-371 (Lead-Zinc-Copper)
Peru Mining Company
Grant County Project
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. King:

We have received your memorandum of June 16, 1953, regarding the above project, with a copy of the Operator's letter of June 11.

We have prepared Amendment No. 3, the original and 5 copies of which are enclosed, which provides for the extension of the contract for an additional year and a half, and also extends the recess period to November 1. This was done inasmuch as it seemed obvious that a year's extension would not allow for project termination. However, if the Operator should prosecute the work diligently, the year and a half period should be adequate, though two shift operations probably would be necessary.

This amendment has been signed by the Government. Will you kindly present it to the Operator for signature and distribute the copies in the usual manner.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

J. H. Hodges

Member, Bureau of Mines

A. R. Kinkel, Jr.

Member, Geological Survey

Enclosures 6

WRGriswold/bjl (7/8/53)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kinkel
Chron.

FILE COPY
SURNAME:

Selfridge

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

July 8, 1953

N. S. in R. R.

Memorandum

To: Administrator

From: George C. Selfridge
Special Assistant to the Administrator

Subject: Docket No. DMA-371 - Lead-Zinc
Peru Mining Company, Grant County Mine
Grant County, New Mexico
Contract No. Idm-E67

In a letter to Mr. W. H. King, dated June 11, 1953, the Operator requested an extension of its contract for a period of one year from July 18, 1953. Mention was also made that a possible resumption of operations might take place based on a sliding scale on the market price for zinc. An amendment was drawn up extending the contract from July 18, 1953, to July 18, 1954, and at the same time granting a recess from July 29, 1953, to November 1, 1953.

Because of the wording of the amendment and the fact that the mine had been closed down on account of low metal prices, the writer made a brief study of the entire docket. This showed that the contract provided for a single 4,000-foot drift between two mines, 350 feet of crosscutting, 2,200 feet of surface diamond drilling, 5,400 feet of diamond drilling under ground and two churn drill holes, aggregating approximately 1,500 feet, to serve as vents for the drift.

Work was started in late July 1951 and continued until January 1953, a period of 17 months. Drifting was started on a 1-shift 6-day week basis. Monthly advance averaged approximately 150 feet. With falling metal prices causing the management to change to a 5-day week, two unexpected flows of water, and unrest due to labor-management difficulties, average monthly advance dropped to approximately 100 feet. During the time of the water difficulties and the last month that the mine operated, advance fell to as low as 50 feet. Over the 17-month period, the average monthly advance, which included a minor amount of crosscutting, averaged approximately 100 feet. Thus, slightly more than 2,300 feet of drifting remains and approximately 300 feet of crosscutting.

To date no surface or underground diamond drilling has been done. One of the churn drill holes was started early in the program but advance was very slow largely because of unskilled drill labor. Eventually the hole reached a depth of 912½ feet, the elevation of the drift, and was stopped. Instead of bottoming with a 9-inch hole, as called for in the contract, the driller bottomed with a 6-inch hole. The Operator drove 40 feet of crosscut, unsuccessfully, to find the hole. Because the hole was drilled so slowly, ventilation troubles developed underground in the drift which slowed progress and the face of the drift is well beyond the location of the hole. Ventilation will be a problem on further drifting. As the hole was not drilled as called for in the contract, the finance officer has made a disallowance of $16,927.42 for the cost of the hole.

While reviewing the docket, it was noted that the auditor had made a disallowance for electrical charges. It was also noted in the interim audit dated August 25, 1952, that the company had charged approximately 31 per cent of the company's total labor man hours to the project. In a memorandum to Walter R. Storms from J. H. Soule, dated July 17, 1952, there is a computation covering power charges. Under hoisting, mention is made that an average of 450 cars are hoisted each day, of which an average of 22 are taken from the project drift. Without knowing the actual operating conditions, it is hard to visualize an underground operation producing 428 cars with two-thirds of the labor while one-third working one shift averages 22 cars. The Operator's June 1952 voucher included a labor schedule which was charged against the contract. This shows approximately 32 man-days for cagers in a month of 21 workdays. Thus, if there is only one shaft, the Operator charged a shift and one-half of caging against the project for hoisting only an average of 22 cars. Conceivably, there could be at least two men doing the caging, which would mean that three-fourths of their shift was charged against the project which works only one shift. While the Field may have a logical explanation for the labor distribution, possibly the matter should be checked for our own information.

As discussed with you, it appears inconceivable that the Operator can complete the work called for in the contract within the year's extension requested by it. In all probability the Operator will likely need two years more to complete the project. However, the Operator can reduce this period by working two or more shifts rather than one, as it has done in the past. As agreed between us, the requested amendment will be changed to provide for an additional recess until November 1, 1953, and an extension of the termination date of the contract for a period of one and one-half years.

P.S. The power calculation also shows 11 machines being used in the mine, 1 of which is charged to the project. Yet 31 per cent of the labor is charged against the project.

GCSelfridge/esf
7/8/53

George C. Selfridge

cc: Docket
Admr. Read. File
Base Metals Div.
Contract Adm. & Audit Div.
Chron.

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

500

July 2, 1953

Memorandum

To: The Administrator

From: Chief, Base Metals Division

Subject: Docket No. DMA-371, Peru Mining Company, Grant County Project, Grant County, New Mexico, Contract No. Idm-E67 (lead-zinc-copper)

Amendment No. 3 to above contract extends the recess period to November 1, completion time is extended from 2 to 3 years and the time period for repayment to the Government is extended from 10 to 11 years.

W. R. Griswold

W. R. Griswold

Attachment

FILE COPY
SURNAME:

500

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

June 29, 1953

N.S. in R.v.R.

Memorandum

To: Chief Counsel

From: Chief, Base Metals Division

Subject: Amendment No. 3, Docket No. DMA-371, Peru Mining Company, Grant County, New Mexico, Contract No. Idm-E67

Will you kindly prepare Amendment No. 3 to the subject contract to provide as follows:

Recessed period is continued from July 18, 1953 to November 1, 1953, at which time work must be started.

Contract completion period is changed from two to three years.

Period of time for Government repayment is extended from ten to eleven years.

W. R. Griswold

WRGriswold/bjl

Copy to: Docket
Base Metals
Chron.

912

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
JUN 1 6 1953

224 New Customhouse
Denver 2, Colorado

June 16, 1953

AIRMAIL

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Inactive DMEA Projects, Region IV

Reference is made to item "2." of our memorandum of June 11, 1953, in reply to your letter of June 1, regarding the subject matter.

For your information we are enclosing three copies of a letter dated June 11, 1953 from Jos. H. Taylor, Vice President, Peru Mining Company, Docket No. DMA-371, Contract Idm-E67, relative to the possibility of resuming work under the contract.

The operator also requests a one-year extension of the contract.

Inasmuch as the extension of time is not within the authority delegated to this office we are forwarding the matter for your consideration and appropriate action.

W. H. King

W. H. King

Enclosures

COPY

PERU MINING COMPANY
Silver City, New Mexico

June 11, 1953

Re: Contract Idm-E67
Docket 371X

Mr. W. H. King, Executive Officer
Field Team, Region IV
U. S. Department of the Interior
224 New Customhouse
Denver 2, Colorado

Dear Mr. King:

A committee of former employees, representing the Union, have come to us and asked if we would be willing to start operations again in the not too distant future based on a lower wage scale.

If this plan could be worked out so that there would be a sliding scale based on the market price for zinc, it is quite possible that we could start work at the Kearney Mine to produce zinc ore and at the same time go ahead with the contract IDM-E67, Docket 371X. For this reason, we would like to know if it would be possible to have this contract extended for a period of one year from July 18, 1953.

As you know, while we were not producing ore from the Kearney Mine the expense of continuing this contract drift would have been so very great that we were unable to continue but we hope that we can go ahead with this work to prospect the area between the Kearney Mine and the Grount County Mine.

Very truly yours,

PERU MINING COMPANY

/s/ Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

April 2, 1953

MEMORANDUM to G. C. Selfridge

From: W. R. Griswold, Chief, Base Metals Division

Subject: Docket No. DMA 371X, Contract Idm-E67, (Lead-Zinc-Copper) Peru Mining Co's. Grant County Zinc-Lead Mine, Grant County, New Mexico.

This is frankly a recession due to low metal prices, and the Operator states that "we would like to have a suspension - - - until we again have a price for zinc which will justify starting up operations".

Recession granted carries to July 29, 1953. Contract expires July 18, 1953, unless an amendment is granted.

Contract probably should be terminated later on if Operator merely desires to maintain stand-by status for a vague, indefinite period.

No matters of rental or depreciation are involved, but Government has an interest in equipment purchased, which would have to be liquidated if contract were terminated.

W. R. Griswold

FILE COPY
SURNAME:
800

Talbert
Chambers

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

MAR 27 1953

BE

Mr. Donald T. Finch
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

Re: Idm-E67, DMA-371X
Peru Mining Company
and
Idm-E416, DMEA-2548
Robitsch and Brewster

J. C. 3/27/53

Dear Mr. Finch:

Reference is made to your letter of March 20, 1953, transmitting three copies of Audit Certificate and two copies of Audit Report, covering Contract Idm-E67, Peru Mining Company. The Certificate and Report have been examined and approved for appropriate distribution.

Receipt is acknowledged of your letter of March 23, 1953, in regard to the Report of Review covering Contract Idm-E416, Robitsch and Brewster. The additional information furnished by you is appreciated and the Report of Review is acceptable. The remaining copies may be distributed in the usual manner.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

WBorovies/wb
March 27, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

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

224 New Customhouse
Denver 2, Colorado

March 24, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 26 1953

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA 371, Contract I-DMA-E67, Peru Mining Company

Reference is made to your letter dated March 19, 1953, in regard to the granting of a recess in operations under the terms of Contract I-DMA-E67. Since that time we have received copies of Memorandum No. 18 and are aware of its contents. We have been abiding by the instructions in that regulation.

In accordance with a telephone conversation with the Administrator on March 20 we are sending under separate cover all correspondence pertaining to recession of operations in Region IV.

Note!

W. H. King

W. H. King

FILE COPY
SURNAME:
Griswold
Selfridge
Mittendorf
by Pending
Hoffland
Lemmon
Johnson
Selfridge

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

Rewritten by 140

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

MAR 19 1953

BW

Re: Docket No. DMEA-371 (Lead-Zinc)
Peru Mining Company
Grant County, New Mexico
Contract No. Idm-E67

J. C. 3/19/53

Dear Mr. King:

Under date of February 26, 1953, an inquiry was addressed by the Administrator to the subject company, as to their future plans for the exploration project. Such inquiry was prompted by a newspaper article which you had sent in to the effect that the mine was closed down. Since no information to the contrary was available in our files, we had presumed this project was still on active status.

In replying to the inquiry, this company sent us a copy of a letter dated February 3, 1953, to them, signed by Mr. John F. Shaw, in your behalf, in which authority was granted for a six-months' recession beginning January 29. We are sure you can appreciate that in such cases it is necessary that we be advised of actions taken.

For your future guidance, you will note that DMEA Memorandum No. 18, dated March 9, 1953, copies of which should by now have reached you, states that agreements for the suspension of operations or for the termination of contracts shall not be made without the prior approval of the Washington Office. In the case of agreements suspending operations, provisions should be made for fixing the date when operations shall be resumed, for preserving interests in equipment, for withholding contribution by the Government until operations are resumed, and for any desired reports.

Sincerely yours,

George C. Selfridge (JVB)
Chairman, Operating Committee

APPROVED:

J. H. Zodgen (JVB)
Member, Bureau of Mines

D. M. Lemmon (JVB)
Member, Geological Survey

WRGriswold/HCRubin/bjl/mef 3/16/53
cc to: Mails and Files
Admr. R. File
Op. Committee
Mr. Thayer
Mr. Hedges
Mr. Griswold
Mr. Hofflund
Mr. Rubin
Chron.
Pending

FILE COPY
SURNAME:

500

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

Griswold
Selfridge
Wilkinson
Kane

rewritten
2/26/53 | mef

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA-371 (Lead-Zinc)
Peru Mining Company
Grant County, New Mexico
Contract No. Idm-E67

Dear Mr. King:

Under date of February 26, 1953, an inquiry was addressed by the Administrator to the subject company, as to their future plans for the exploration project. Such inquiry was prompted by a newspaper article which you had sent in to the effect that the mine was closed down. Since no information to the contrary was available in our files, we had presumed this project was still on active status.

In replying to the inquiry, this company sent us a copy of a letter dated February 3, 1953, to them, signed by Mr. John F. Shaw, in your behalf, in which authority was granted for a six-months' recession beginning January 29.

We are sure you can appreciate that in such cases it is necessary that we be advised of actions taken.

Sincerely yours,

George G. Selfridge (2/26)

Chairman, Operating Committee

APPROVED:

J. H. Hodges (2/26)

Member, Bureau of Mines

D. M. Lemmon (2/26)

Member, Geological Survey

WRGriswold/bjl (written 3/9/53)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Griswold
Mr. Kinkel
Mr. Bishop
Chron.

3-11-53

March 13, 1953

Memorandum

To: Mr. C. O. Mittendorf

From: Frank E. Johnson FEJ

Subject: Docket No. DMEA-371 (Lead-Zinc)
Peru Mining Company
Contract No. Idm-E67

I have reviewed the files onthe subject contract. There is given below a summary of this review:

Operator - Peru Mining Company is owner of the property. (Kearney Mine, Grant County, New Mexico)

Date of contract - July 18, 1951. (Old form contract)

Term of contract - 2 years, or until July 18, 1953.

Amount of contract - $225,000; 50% Government participation.

| | | |
|---|---|---|
| Exploration project | - Drifting and crosscutting 4,000 feet . . . . . | $130,000 |
| Diamond Drilling | - 7,600 feet @ $4 and $3.65 per ft. | 28,510 |
| Churn Drilling | - 1,500 feet @ $15.00 per foot. . . . | 22,500 |

Last Field Team inspection - January 6, 1953.

Last 104 Voucher - December 1952.

| | |
|---|---|
| Operator reports expended. . . . . | 92,797.56 |
| Payment withheld for lack of justification . . . . . | 16,927.52 |
| | $ 75,870.04 |
| Work completed - Drifting 1,715 feet @ $31.78 per ft. | 54,506.54 |
| Churn Drilling - 912½ feet @ $27.73 per foot . . . . | 25,301.17 |

Operator indicates that it has expended $12,989.85 for equipment purchased under the contract. The cost of this equipment is distributed in the footage cost given above.

The files contain no logs of drill holes, or geological data for holes, or any maps showing locations of holes. The narratives submitted by the Operator with its 104 forms and the Field Team inspection reports do not give any geological data or indicate the presence or absence of mineralization or give any information of rock formation exposed by the drifting or drill holes.

During the latter part of 1952, several letters from the Operator indicate the possibility of closing down the property because of declining metal prices. In letter to the Field Team dated January 13, 1953, Operator states that it is continuing the operation of the Kearney Mine for January, February and March, but does not know if it will operate after April 1, 1953, unless the zinc price is more satisfactory.

On January 29, 1953 the company requested recession of work from Field Team.

On February 3, 1953 Field Team granted recess of operations for six months from January 29, 1953, calling attention of the Operator to the fact that the contract would expire July 18, 1953, and that a request for an amendment to extend the life of the contract for time necessary to complete the work should be made.

(This suspension period extends for 11 days beyond the expiration date)

The Field Team should be sent instructions regarding this particular case, as well as other cases, with respect to suspension of operations. It should also be furnished a sample copy of the type of agreement to be entered into between the Government and the Operator for permitting a suspension of work.

In this particular case it seems to me that the agreement should provide for suspending the work for six months, and also for extending the exploration date of the contract for six months.

CHICAGO

NEW YORK

# PERU MINING COMPANY

630 FIFTH AVENUE

NEW YORK

FEBRUARY 27, 1953

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 2 1953

ATTENTION: MR. C. O. MITTENDORF,
ADMINISTRATOR

GENTLEMEN:

RE: DOCKET NO. DMA-371X (LEAD-ZINC)
CONTRACT NO. IDM-E67

REPLYING TO YOUR LETTER DATED FEBRUARY 26, WE ARE HEREWITH ATTACHING COPY OF LETTER DATED FEBRUARY 3 RECEIVED FROM YOUR DENVER OFFICE BY MR. JOSEPH H. TAYLOR, WHO IS IN CHARGE OF OUR MINING OPERATIONS IN NEW MEXICO, WHICH IS SELF-EXPLANATORY. ALSO ATTACHED IS COPY OF ACKNOWLEDGMENT OF THE ABOVE MENTIONED LETTER.

VERY TRULY YOURS,

PERU MINING COMPANY

Morris Blumberg

MB:GP

MORRIS BLUMBERG,
PRESIDENT

COPY

PERU MINING COMPANY

C O P Y

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 2 1953

FEBRUARY 6, 1953

RE: CONTRACT IDM-E67
DMA DOCKET 371X

MR. W. H. KING, EXECUTIVE OFFICER
FIELD TEAM, REGION IV
DEPARTMENT OF THE INTERIOR
224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

DEAR MR. KING:

YOUR LETTER OF FEBRUARY 3RD HAS BEEN RECEIVED AND CAREFULLY READ. I AM ADVISING OUR BOARD OF DIRECTORS OF YOUR ACTION AND BEFORE THE CONTRACT EXPIRES ON JULY 18, 1953, WE WILL REQUEST AN AMENDMENT TO EXTEND THE LIFE OF THE CONTRACT FOR SUCH TIME AS MAY BE NECESSARY TO COMPLETE THE WORK.

THANKING YOU, I REMAIN,

VERY TRULY YOURS,

PERU MINING COMPANY

(SIGNED)

JOS. H. TAYLOR,
VICE PRESIDENT

JHT:F

C
O
P
Y

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 2 1953

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

FEBRUARY 3, 1953

MR. JOSEPH H. TAYLOR
VICE PRESIDENT
PERU MINING COMPANY
SILVER CITY, NEW MEXICO

RE: CONTRACT IDM-E67
DMA DOCKET 371X

DEAR MR. TAYLOR:

THIS WILL ACKNOWLEDGE RECEIPT OF YOUR LETTER DATED JANUARY 29, 1953 REQUESTING AUTHORITY TO SUSPEND WORK UNDER THE TERMS OF CONTRACT IDM-E67. THIS LETTER WILL BE YOUR AUTHORITY TO RECESS OPERATIONS UNDER CONTRACT IDM-E67 FOR A PERIOD OF SIX MONTHS STARTING JANUARY 29, 1953. AT THAT TIME, WE MAY REAPPRAISE THE SITUATION TO DETERMINE WHAT ACTION SHOULD BE TAKEN.

YOUR ATTENTION IS CALLED TO THE FACT THAT CONTRACT IDM-E67 EXPIRES ON JULY 18, 1953. YOU SHOULD REQUEST AN AMENDMENT TO EXTEND THE LIFE OF THE CONTRACT FOR SUCH TIME AS YOU CONSIDER NECESSARY TO COMPLETE THE WORK.

VERY TRULY YOURS,

/S/ JOHN F. SHAW

JOHN F. SHAW FOR
W. H. KING
EXECUTIVE OFFICER
FIELD TEAM, REGION IV

FILE COPY
SURNAME:

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

Mr. James A. Hill, President
Peru Mining Company
630 Fifth Avenue
New York 20, New York

Re: Docket No. DMA-371X (Lead-Zinc)
Contract No. Idm-E67

J.C. 2/26/53

Dear Mr. Hill:

It has come to our attention that Peru Mining Company has closed its operations in New Mexico. We assume that this action does not affect the exploration work in connection with the subject contract.

However, we will appreciate receiving your advice as to your plans with respect to operations under the exploration project contract.

Sincerely yours,

C. O. Mittendorf

Administrator

FEJohnson/bih
2/18/53
cc to: Docket
Admr. Reading File
Region IV (2)
Messrs. Hofflund
Mittendorf
Griswold
FEJohnson

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

224 New Customhouse
Denver 2, Colorado

February 11, 1953

Memorandum

To: C. O. Mittendorf

From: Executive Officer, DMEA Field Team, Region IV

Subject: Newspaper Clipping

Enclosed for you information are two (2) copies of an article from the Silver State Enterprize, dated January 29, 1953.

W. H. King
W. H. King

Enclosure

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

SOUTHWEST EXPERIMENT STATION
Box 4697
UNIVERSITY STATION

TUCSON, ARIZONA

ning's card to start at 8 p.m.

# PERU MINING HALTS ALL OPERATIONS

## Kearney Shaft And Deming Mill To Shut Down

All New Mexico operations of the Peru Mining company and the New Mexico Consolidated Mining company will close this week end, Joseph H. Taylor, resident manager of the zinc mining firms announced yesterday.

Cause of the shutdown, he said, is the "present unsatisfactory price of our product." The current price for the metal is 12c. The mining official said he was unable to determine what price level would be necessary to resume operations.

Approximately 100 employees will be effected in the suspension of the mines' activities. A similar number were released last September when the Pewabic shaft of the zinc producers mine was closed.

Present closing order will effect the local Kearney shaft and the firm's mill located in Deming.

C O P Y

PERU MINING COMPANY
Silver City, New Mexico

January 29, 1953.

Re: DMA Docket 371X
Contract Idm-E67

Mr. W. H. King, Executive Officer
Field Team, Region IV
U. S. Department of the Interior
224 New Customhouse
Denver 2, Colorado

Dear Mr. King:

We were very much disappointed to have the price of zinc drop back to twelve cents a pound and weak at that point. Because of this very unsatisfactory price for our product, we have been forced to discontinue our operations at Kearney Mine and we find that we can not consider continuing the Grant County Project without operating the Kearney Mine except at exorbitant costs several times the normal costs for drifting. For this reason, we are discontinuing, as of today, any development work on this project.

If it is consistent with your policy, we would like to have a suspension of this contract until we again have a price for zinc which will justify our starting up our operations.

I will be in Denver February 10th to 14th and it may be that I can see you at that time and discuss this matter with you. I will try to get in touch with you and Mr. East at the Colorado meeting.

Very truly yours,

PERU MINING COMPANY

/s/ Jos. H. Taylor
Vice President

JHT:F

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

224 New Customhouse
Denver 2, Colorado

Omea
# 371

August 25, 1952

Memorandum:

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

From: Donald T. Finch, Auditor, Region IV

Subject: Audit Report, Exploration Contract E-67, Peru Mining Company

Enclosed are three Audit Certificates and two Audit Reports for Peru Mining Company.

The total cost billed by Contractor of $56080.71 as shown on the MF-104 for June, 1952 is mathematically correct. The Regional Office file copy, however, shows a red penciled change to $56094.91, which has been brought over to the approved totals to date column. The difference of $14.20 between the two amounts is due to some reviewer having misinterpreted a contra adjustment for Social Security Taxes of $7.10 for the month of June, 1952. The negative item has been considered as a positive, hence the total difference of $14.20.

Donald T. Finch
Donald T. Finch
Auditor, Region IV

Enclosures

Docket Copy

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

The New Customhouse
Denver 2, Colorado

July 24, 1952

Mr. Joseph H. Taylor, Vice President
Peru Mining Company
Silver City, New Mexico

Re: DMA Docket 371X
Contract I-DMA-E67

Dear Mr. Taylor:

Consistent with authority delegated the Executive Officer, DMEA Field Team, Region IV, we hereby waive the requirement for you to provide documentary support of Form MF-104 (Revised-April 1952) Operator's Monthly Report and Voucher, beginning with the month of July, 1952, or the first monthly report using the revised forms, MF-104 and MF-104A, except for support of equipment purchases for which the individual costs exceed $50.00 as explained on the reverse side of Form MF-104 (Revised).

In lieu of documentary support of the monthly voucher, an auditor from the Contract Administration and Audit Division will make interim audits of your books, and will make a final audit on completion or termination of the contract, before the final voucher is processed for reimbursement.

This waiver does not forego the requirement for a concise but complete narrative that must accompany the original and each copy of the Monthly Report.

Very truly yours,

W. H. King

W. H. King
Executive Officer
Field Team, Region IV

WLD:oc
cc: Oper. Committee (3)
Fiscal Office, Reg. IV
THBrading
WRStorms
JWTownsend
Contract
Chron.
Koschmann (2)

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

Docket
Lead, Zinc

224 New Customhouse
Denver 2, Colorado

March 26, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Amendment to Contract Idm-E67, Docket DMA 371X, Peru Mining Company

Enclosed are the original and two copies of an amendment to the above contract.

Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

J. H. East, Jr.

J. H. East, Jr.

Enclosure

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

224 New Customhouse
Denver 2, Colorado

February 25, 1952

Memorandum

To: C. C. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Amendment to Contract Idm-E67, Docket DMA 371X, Peru Mining Company

Enclosed are the original and two copies of an amendment to the above contract. Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and we have retained a copy for our files.

for W. H. King
J. H. East, Jr.

Enclosures

JFS:ld

cc: Contract, chron.

BL

OFFICE OF THE ADMINISTRATOR

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

For docket file
M.E. Daniel

224 New Customhouse
Denver 2, Colorado

February 13, 1952

Memorandum

To: C. O. Mittendorf

From: J. H. East, Jr., Executive Officer, Field Team Region IV

Subject: DMA Docket No. 371, Peru Mining Company Exploration Contract No. Idm-E67, your memo February 11, 1952

Region IV Fiscal Office was supplied with a copy of the contract between Peru Mining Company and Johnson Drilling Company and a copy of our approval of the contract was attached.

J. H. East, Jr.

FEB 1 0 1952

FILE COPY
SURNAME:

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

FEB 11 1952

Mr. J. H. Fast, Jr.,
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: DMA Docket No. 371
Peru Mining Company
Exploration Contract No. Idm-E67

Dear Mr. Fast:

This will acknowledge receipt of your memorandum of January 25, 1952 transmitting three signed copies of contract dated December 5, 1951, between Peru Mining Company and Johnson Drilling Company, and an original and two signed copies of your approval of this contract.

We assume that you furnished the field fiscal office with copies of these documents, if needed by that office, inasmuch as you did not send four copies of this document to this office.

Sincerely yours,

C. O. Mittendorf (for) J.N. 2-11-52

Acting Administrator
Defense Minerals Exploration
Administration

FEJohnson/bih
2/4/52
cc to: Docket
Admr's Reading File
Messrs. Chambers
Moulds
Johnson

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

224 New Customhouse
Denver 2, Colorado

January 25, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator, Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Approval of Drilling Contract between Peru Mining Company and Johnson Drilling Company

Enclosed are three signed copies of a contract dated December 5, 1951, between Peru Mining Company and Johnson Drilling Company.

Also enclosed are the original and two signed copies of an approval of this contract.

J. H. East, Jr.

J. H. East, Jr.

Enclosures

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 31 1952

R & R

RANCH WELLS,
IRRIGATION WELLS

PIPE, PUMP JACKS,
WELL SUPPLIES

# JOHNSON DRILLING CO.

Box 528

Hot Springs, N. M.

WALTER JOHNSON, OWNER & MANAGER

Dec. 5-1951

Peru Mining co.
Hanover New Mexico,

Dear Sirs; In regard to our conversation about the well you want to drill on your property to use for an air shaft I wish to submit the following bid for your approval.

I will furnish A suitable drilling rig for the job all labor, fuel, cables, and repairs for same and drill A 12" hole and will try to hold hole to full 12" gauge to A depth of approximately 900 Ft.

Consideration for above work is to be not less than $9.00 per lineal foot drilled nor more than $10.50 per lineal ft. drilled depending on hardness of formation encountered and difficulties encountered in completing hole to your satisfaction.

Payment for above drilling operation is to be paid in the following manner,

Three quarters of $9.00 per ft. when each successive 100 ft. of hole is completed, balance due to be paid when hole is completedto 900 ft.

I am mailing 4 copies to you so you may sign one and return to me and keep 3 for your purposes,

Hoping this meets with your approval I remain,

Sincerely yours,

Johnson Drilling co.
By Walter Johnson

Accepted:

Jos. H. Taylor Sign
Vice-President, Peru Mining Company

FILE COPY
SURNAME:

Mittendorf

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

Memorandum July 31, 1951

TO: Mr. J. H. East, Jr.
Executive Officer, Region IV

FROM: C. O. Mittendorf
Director, Production Expansion Division

SUBJECT: Your memorandum of July 23 re copy of contract for Regional Finance Officer

Attached you will please find a copy of my staff memorandum dated July 11, which explains the reason for the change in method of furnishing your Finance Officer with a copy of approved contracts.

At the time we agreed on this procedural change I was assured by the Finance Section that they would forward the Finance Officer's copy directly and without delay. I shall bring your memorandum to the attention of the Finance Section.

C. O. Mittendorf

8/3
cc

COMittendorf/fw

cc to: Reports & Records
Admr. Reading File
Field Team, Reg. IV
Mrs. Terry, Wash. Finance Sec.
Mr. Mittendorf, Mr. Olund

Mr. Moon

FILE COPY
SURNAME:

Mittendorf
Boyd

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

JUL 26 1951

DMA-371X

My dear Senator Chavez:

I am pleased to report to you that the Defense Minerals Administration of this Department has recently entered into a contract with the Peru Mining Company, operating in your state for the exploration of possible sources of lead, zinc and copper.

The contract provides that the Government will participate in the expense of this work up to 50% of the cost thereof.

This type of assistance is provided for under Section 303 of the Defense Production Act.

The Defense Minerals Administration will be glad to furnish you any further details you may desire regarding the matter.

Sincerely yours,

(sgd) R. D. Searles

Acting Secretary of the Interior

Hon. Dennis Chavez
United States Senate
Washington 25, D. C.

Identical to:
Senator Anderson ( Clinton, P.)
Congressman Antonio M. Fernandez
Congressman John J. Dempsey

Written: July 18, 1951
SPWarren/meh
cc to: Secy's Reading File
Adm's Reading File
Mittendoff, Olund
Warren
FILES

BUREAU OF MINES
WASHINGTON, D. C.
JUL 31 1 57 PM '51

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

OFFICE OF
REGIONAL DIRECTOR

REGION IV

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

July 23, 1951

Memorandum

To: C. O. Mittendorf, Director, Production Expansion Division
Defense Minerals Administration

From: Executive Officer, DMA Field Team, Region IV

Subject: DMA Docket 371X, Contract I- DMA-E67, Peru Mining Company, Grant County, New Mexico

We have just received the contract for the above company. In your letter you state that the copy for the Field Finance Office will be forwarded directly to them by the Washington Finance Office. Heretofore, we have always received two copies of contracts, one for the DMA office and one for the Regional Finance Office. This way we were able to keep track and check one against the other.

It is suggested that after this, both copies of the contract be sent to this office unless there is a particular reason for not doing so.

J. H. East, Jr.

J. H. East, Jr.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 2 6 1951
LANDON F. STROBEL
Executive Secretary

Copies made and sent to:
Mrs. Derry, Director
Mr. Moore

CHICAGO NEW YORK

Mittendorf

Noted by Mr. Warren

# PERU MINING COMPANY

630 FIFTH AVENUE

NEW YORK 20

July 23, 1951

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 24 1951
LANDON F. STROBEL
Executive Secretary

Mr. C. O. Mittendorf, Director
Production Expansion Division
U. S. Department of the Interior
Defense Minerals Administration
Washington 25, D. C.

Dear Mr. Mittendorf:

Re: Exploration Project Contract
Idm-E67
DMA-371X

Receipt is acknowledged of your letter of July 19th enclosing one copy of the contract with the "Government" for participation in the cost of exploration in our Grant County Mine.

Many thanks for your courtesy in sending the copies of the Monthly Progress Report and also the one copy of the information bulletin setting forth answers to questions which have arisen in connection with the exploration program.

We will advise Mr. J. H. East, Jr., Executive Officer, DMA Field Team, Region IV, Denver, Colorado, when the work is started under this approved project.

May I take this opportunity of expressing to you my great appreciation and thanks for your efforts in our behalf in having this exploration project contract completed so promptly.

Sincerely yours,

Jas A Hill

Jas. A. Hill
President

JAH-frz

Bernadette

G. E. C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION IV

OFFICE OF
REGIONAL DIRECTOR

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

July 23, 1951

Memorandum

To: C. O. Mittendorf, Director, Production Expansion Division
Defense Minerals Administration

From: Executive Officer, DMA Field Team, Region IV

Subject: DMA Docket 371X, Contract I- DMA-267, Peru Mining Company, Grant County, New Mexico

We have just received the contract for the above company. In your letter you state that the copy for the Field Finance Office will be forwarded directly to them by the Washington Finance Office. Heretofore, we have always received two copies of contracts, one for the DMA office and one for the Regional Finance Office. This way we were able to keep track and check one against the other.

It is suggested that after this, both copies of the contract be sent to this office unless there is a particular reason for not doing so.

J. H. East, Jr.

JHE:ld

cc: Koschmann
DMA

FILE COPY
SURNAME:

SPWarren
Mittendorf

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

July 19, 1951

Mr. James A. Hill, President
Peru Mining Company
630 Fifth Avenue
New York, N.Y.

Re: Exploration Project Contract
Idm-E67
DMA-371X

Dear Mr. Hill:

Please find enclosed one copy of a contract with the "Government" for participation in the cost of exploration in your Grant County mine.

Also included are four copies of Monthly Progress Report and one copy of an information bulletin which attempts to set forth the answers to many questions which have arisen in connection with the exploration program.

You are requested to advise Mr. J. H. East, Jr., Executive Officer, DMA Field Team, Region IV, 224 New Customhouse Building, Denver 2, Colorado, when the work is started under the approved project.

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division

Enclosures-6
SPWarren/COMittendorf/fw
cc to: Admr. Reading File
Field Team, Reg.IV (2)
~~Miss Beary, Wash.Finance Of.~~
Mr. Herres
Mr. McKnight
Mr. Lyon
Mr. Mittendorf, Mr. Olund
Mr. Warren
FILES

FILE COPY
SURNAME:

S P Warren
Mittendorf

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

July 19, 1951

G.S.C.

Contract Service Section
General Accounting Office
Washington 25, D.C.

Re: Docket DMA-371X
Exploration Project Contract
Idm-E-67
Peru Mining Company
New York, N.Y.

Gentlemen:

Enclosed for recording in your office is the original, signed copy of an Exploration Project Contract executed between the operator named in the above reference and the Government of the United States.

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division

Enclosure-1

COMittendorf/fw

cc to: Admr. Reading File
Mr. Mittendorf, Mr. Olund
Mr. Warren
FILES
Field Team, Reg.IV

FILE COPY
SURNAME:

SPWarren
Mittendorf

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

July 19, 1951

Mr. J. H. East, Jr.
Executive Officer, Region IV
Defense Minerals Administration
224 New Custerhouse Building
Denver 2, Colorado

Re: Peru Mining Co. - DMA-371X
Zinc-Lead-Copper

Dear Mr. East:

We are enclosing for your office one copy of an Exploration Project Contract with captioned applicant.

A copy for the Field Finance Officer will be forwarded directly to him by the Washington Finance Office.

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division

Enclosure-1

COMittendorf/fw

cc to: Admr. Reading File
Field Team, Reg.IV
Mrs. Terry, Wash.Finance Of.
Mr. Herres
Mr. McKnight
Mr. Lyon
Mr. Mittendorf, Mr. Olund
Mr. Warren
FILES

[illegible] - 371X

[illegible]

Correspondence letters written

All copies taken to [illegible]

[illegible]

FILE COPY
SURNAME:

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

July 18, 1951

Memorandum

To: Chief, Production Expansion Division

From: General Counsel

Subject: Peru Mining Co.--DMA-371X

The captioned contract is approved as to legal form and sufficiency.

The effective date should be inserted.

Your file is returned herewith.

J. L. Hofflund

J. L. Hofflund
General Counsel

Attachment

RRGuthrie/em
Copy to: L. F. Strobel
J. L. Hofflund
: R. R. Guthrie
Files

CHICAGO NEW YORK

# PERU MINING COMPANY

630 FIFTH AVENUE

NEW YORK 20

July 13, 1951

Defense Minerals Administration
New Interior Building
Washington, D. C.

Attention: Mr. S. Power Warren

Gentlemen:

Re: D.M.A. Docket #371-X
Grant County Mine Project
Exploration Project Contract

I am enclosing the four (4) additional copies of the map of our Grant County Mine project which I have just received from our Mr. Joseph H. Taylor, Vice President.

I will appreciate it very much if you will kindly have same attached to the Exploration Project Contract which I signed in your office on July 12, 1951.

May I take this opportunity of expressing my thanks and appreciation for your kindness in handling this contract so promptly and efficiently.

Very truly yours,

PERU MINING COMPANY

Jas A Hill

Jas. A. Hill
President

Enc.
JAH-frz

FILE COPY
SURNAME:

Mittendorf

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

Memorandum July 13, 1951

TO: Mr. J. L. Hofflund
General Counsel

FROM: C.O. Mittendorf
Director, Production Expansion Division

SUBJECT: DMA-371X - Peru Mining Co.
Exploration Contract

a. & c

Transmitted herewith are six copies of the subject contract for your consideration.

The applicant is very desirous of having final action taken on this case as quickly as possible, since it is to be brought before the meeting of his Board of Directors on July 19.

Attachments-6

COMittendorf/fw

cc to: Mr. Strobel (FILES)
Mr. Mittendorf, Mr. Olund
Mr. Warren

CLASS OF SERVICE
This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

W. P. MARSHALL, PRESIDENT

1220

SYMBOLS
DL=Day Letter
NL Night Letter
LT Int'l Letter Telegram
VLT Int'l Victory Ltr.

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

••LA594 L•SVA077 LONG NL PD=SILVER CITY NMEX 9=
JAMES A HILL, CHAIRMAN ILLINOIS ZINC CO=
630 FIFTH AVE NYK=

=PRICES OF SOME EQUIPMENT CHANGED SINCE WE OBTAINED PRICES• GARDNER DENVER SHOVEL LOADER NOW $3,262•11 DELIVERED• JUMBO DRIFT MACHINE NOW $3,795•00 PLUS FREIGHT• INGERSOLL RAND DA30 POWERFEED DRIFTERS $965•00, WITH AIR AND WATER HOSE $1,010•00• PIPE ESTIMATED: ¶ 4" 2,000 FEET AT $1•17 PER FT $2,540=

¶ 3" 4,000 FEET AT •73 PER FT 2,920=

¶ 2" 2,000 FEET AT •33 PER FT 660=

¶ 1 1/2" 2,000 FEET AT •25 PER FT 500=

¶ 1" 2,400 FEET AT •1667 PER FOOT 400=

¶ VALVES AND COUPLINGS 480=

¶ TOTAL PIPE $7,500 =

¶ VENT TUBE 3,000 FEET AT $1•04 PER FT $3,120=

¶ 30 HP BLOWER FOR CHURN DRILL HOLE 2,880=

¶ TOTAL 6,000=

¶ DRIFTING COST INCLUDES DRILLING, BLASTING, MUCKING, TRAMMING, HOISTING, DRILL BITS, STEEL, POWER AND MAINTENANCE• LABOR FOR THIS PER FOOT IS $18•00=

¶ POWER, 300 KWH AT $1•36 PER KWH PER FOOT 4•08#

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a [illegible] Telegram [illegible] ferred [illegible] dicated [illegible] symbol a[illegible] ceding the [illegible]

# WESTERN UNION

W. P. MARSHALL, PRESIDENT

1220

SYMBOLS

DL=Day Letter

NL=Night Letter

LT Int'l Letter Telegram

VLT Int'l Victory Ltr.

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

L.SVA097/

¶ TIES, 50 CENTS EACH PER FOOT OF DRIGT .20:

=¶ 20 LB RAIL 145.25 PER TON, PER FOOT OF DRIFT 1.00=

¶ POWDER AT $18.00 PER FOOT OF DRIFT 3.50:

=¶ EXPLODERS, 16.68 PER 100, PER FOOT OF DRIFT .85=

¶ BLASTING WIRE, PER FOOT OF DRIFT .10=

=¶ CARSET BITS AT $10.50 PER FOOT OF DRIFT 2.00=

¶ DRILL STEEL, 20 CENTS PER POUND, PER FOOT OF DRIFT .05=

¶ SUNDRY SUPPLIES, PER FOOT OF DRIFT .22=

¶ TOTAL COST PER FOOT $30.00=

¶ SUPERVISION: 10% OF SUPERINTENDENT AT $550 PER MONTH=

=¶ 20% OF CONSULTING GEOLOGIST AT $700 PER MONTH:

=¶ 10% OF FOREMAN AT $450 PER MONTH=

¶ 50% OF ENGINEER AT $325 PER MONTH=

JSOEPH H TAYLOR VICE PRESIDENT=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CHICAGO NEW YORK

# PERU MINING COMPANY

630 FIFTH AVENUE

NEW YORK 20

July 10, 1951

Mr. S. Power Warren
6617 Willston Place
Falls Church, Virginia

Dear Mr. Warren:

As per your suggestion of yesterday, I am enclosing letter of July 10th addressed to Defense Minerals Administration containing the information which you requested with respect to Grant County Mine Project, Docket #DMA-371-X.

Kindest regards.

Sincerely,

Jas A Hill

President

Enc.

CHICAGO NEW YORK

# PERU MINING COMPANY

630 FIFTH AVENUE

NEW YORK 20

July 10, 1951

Defense Minerals Administration
New Interior Building
Washington, D. C.

Attention: Mr. S. Power Warren

Gentlemen:

Re: D.M.A. Docket #371-X
Grant County Mine Project
Exploration Project Contract

Reference is made to our talk on July 9th, at which time you requested me to furnish information in more detail than that which was contained in letter of May 19, 1951 from Mr. Joseph H. Taylor, Vice President.

I have received from Mr. Taylor, under date of July 9, 1951, a telegram giving more detailed information as to pricing and also in connection with giving a breakdown of the approximate cost for the long drift of 4000 feet and also for cost of crosscutting the 350-foot specification. I am enclosing two (2) photostatic copies of Mr. Taylor's telegram. Please use same in part or in total in connection with the exhibits which are to form a part of the Exploration Project Contract for our Grant County Mine Project.

In relation to the map which you request, I will bring same with me when I see you in your office on Thursday morning, July 12th, at 9:30 A.M.

With kindest regards and looking forward to the pleasure of seeing you, I am

Very truly yours,

PERU MINING COMPANY

Jas A Hill

Jas. A. Hill
President

JAH-frz
Enc.

TELEPHONE CONVERSATION

(Long Distance)

DATE: July 5, 1951 (1:50 p.m.)

PARTICIPANTS: Mr. James A. Hill, President
Peru Mining Company
New York, New York (Phone: Circle 7-0874)

and

Landon F. Strobel, Executive Secretary
Defense Minerals Administration
Washington 25, D. C.

SUBJECT: DMA-371X, Peru Mining Company, New York, New York

Mr. Hill called Mr. Strobel with respect to the status of the subject application. Mr. Strobel advised Mr. Hill that the application had been sent to the Production-Expansion Division on June 28 but that no action had been taken as yet.

Mr. Hill stated that he hoped that it would be possible for some action to be taken by July 19 so that he could report to his Board meeting what had taken place with respect to the application. He also stated that he would like to have the papers sent direct to him in order to speed up the processing. Mr. Strobel said that he would advise Mr. Olund.

Mr Hill visited Mr Warren on July 9, and discussed the deal. Mr Hill returned to New York for more data and expects to return on July 12.

LFSTROBEL:hb

Copy to: Mr. Olund

Photostatic copy of telegram from Dayton was sent to my home by July 11 -

Brokers for McKnight
6/5/51 Kerres
Note

Defense Minerals Administration 6-28-51

Review of Application for Exploration Assistance

To: Director, Production Expansion Division

From: Director, Supply Division

Docket No. 371X

Commodity Zinc

Total Amount $225,000.00

Govt. Participation 50%

1. Name and Address of Applicant Peru Mining Company, Box 309, Silver City, New Mexico

2. Location of Property Grant County and Pewabic Mines, Central Mining District Grant County, New Mexico

3. Mineral or metal Zinc Is it listed in Section 9 of MO-5?

If not, application will be rejected.

4. Geologic probability of discovery—based on data in application (question #16, 17, 18, 20 and 22)*

Mines or Survey reports, etc., do you rate chances:

a) Good Approved by field team, see attached report

b) Poor

c) None

d) Don't know—needs field examination

e) Is there an alternative and favorable project? (If so, attach an explanation)

5. Is the applicant's right to the property clearly stated? Yes (question 5, 6, 7)*

6. If applicant is a lessee, is a copy of the lease attached?

Does the lease have sufficient time to run to cover a future productive period?

*question numbers are those of MF-103

Please notify Mr. Hill when contract is ready. He will come here from New York City to sign it.

O. Herres
6/28/51

JAMES A. HILL
PRESIDENT
PERU MINING COMPANY
630 FIFTH AVENUE, NEW YORK
Circle 7-0874

7. Are subordination agreements necessary? No

a) MF-201? _____

b) MF-202 _____

8. From the data presented, does the proposed project appear feasible from the point of view of:

a) Available manpower Yes

b) Equipment and supplies Yes
(Question 14 plus general knowledge of availability)*

c) Accessibility (question 12)* Yes

d) Water (question 13)* Yes, ample

e) Power (question 13)* Yes

Is a field check needed on any of these points? No

9. Does the experience of the applicant appear to be adequate to assure that he can properly conduct the proposed project? (question 4)* Yes

_____

Is a field check needed on this point? No

10. Exhibit A. (questions 21 and 22)*

a) Is the project adequately described? Yes

If not, are there sufficient data given so that you can describe the project? _____ If so, attach a draft.

b) Is there an adequate map or sketch of the proposed work? Yes

_____

c) Is the proposed work "exploration" under the definition of Section 8, MO-5? Yes

If not, what part of it is? _____

_____

_____

_____

Is this part a worthwhile exploration project?_____

d) Are the cost estimates detailed?_____

Can they be summarized, as on page 2 of Procedural Instruction 5-A, from the available data? Yes If so, attach a draft. attached

e) Are the cost estimates reasonable? Yes

f) Should more information be requested from applicant? No

g) Is a field examination necessary to complete Exhibit A?_____
Has been completed. See field team report.

11. Exhibit B (question 23-d)*

a) Is it applicable? No

b) If so, are sufficient data furnished?_____ If so, attach a draft.

c) Is a field check needed?_____

12. Exhibit C (question 23-e, f and g)*

a) Is it applicable? Yes

b) Sufficient data? Yes If so, attach a draft. See draft 10(d) equipment listes is to be purchased

c) Are rents and charges reasonable? Yes

d) Is a field check needed? No

13. Exhibit D (question 23-a, b)*

a) Are there sufficient data? Yes, number and salaries of supervisors not given

b) Is the schedule adequate for the work proposed? Yes

c) Is the schedule excessive for the work proposed? No. supervision is 8% of cost.

d) Are the proposed wages and salaries reasonable? Yes, re. total cost

e) Is a field check needed? No

See engineering report, pages 5 and 6.

10. (d) Contractural Services:

| | | |
|---|---|---|
| 2,200 ft. | diamond drilling (surface at $4.00/ft..... | $ 8,800.00 |
| 5,400 ft. | diamond drilling (underground) at $3.65/ft. | 19,710.00 |
| 1,500 ft. | churn drill hole for ventillation at $1.50. | 22,500.00 * |
| 4,000 ft. | drifting (6'x7') at $30.00/ft..... | 120,000.00 |
| 350 ft. | crosscutting at $30.00/ft..... | 10,500.00 ** |
| | Total contract..... | $181,510.00 |

*Churn drill holes can be allowed for exploratory work provided the holes are competently logged.
**This item was in error on the report ($1,050) due to a misplaced decimal point.

Equipment

| | | |
|---|---|---|
| 1 | Electric locomotive..... | $ 6,800.00 |
| 1 | Shovel loader..... | 3,000.00 |
| 1 | Jumbo drift machine..... | 3,300.00 |
| 4 | Power feed drifters..... | 4,000.00 |
| | Pipes, valves, and fittings..... | 7,500.00 |
| | Blower and ventilating tube..... | 6,000.00 |
| 20 | One ton mine cars..... | 4,000.00 |
| | Total..... | $ 34,600.00 |

Other

| | |
|---|---|
| Engineering and extras..... | 18,340.00 |
| Total for the project | $234,450.00 |

This exceeds the totals submitted by $9,450 which amounts to 315 ft. of drifting at $30/ft. therefore, it is suggested that the drifting be reduced by 315 ft. making it 3,685' at $30/ft = 110,550 which makes the total contractural service $172,060, as shown on the report.

Or the amount of equipment may be reduced, e. g., the number of drifters, mine cars, pipe valves, and fittings.

The costs are reasonable as to Contractural Service. Equipment and Engineering and Extras, therefore, is approved for this project in the amount of $225,000.00

14. Exhibit E (question 23-c)*

a) Is it applicable? No

b) Sufficient data?

c) Reasonable?

d) Field check needed?

15. In your judgment, can the proposed work be done in the proposed time? Yes

(All exploration must be completed within two years)

16. If field examination is not needed, attach your recommendation.
Recommended for approval. G. A. Apell, Bureau of Mines

17. If field examination is needed, do you have any special instructions for the field team not indicated by your answers to the foregoing question?

Reviewed by: A. J. Bodenlos - GS

G. A. Apell - BM

Date 6-28-51



INT.-DUP. SEC., WASH., D.C. 99009

16. The geological and engineering aspects were studied by members of the Field Team, Region IV, who have stated that the project is acceptable and that the work can be completed in two years. It is therefore recommended that the project be approved for the total sum of $225,000.00.

A. J. Bodenlos - GS

CHICAGO NEW YORK

# PERU MINING COMPANY

630 FIFTH AVENUE

NEW YORK 20

June 26, 1951

Mr. Landon F. Strobel
Executive Secretary
Defense Minerals Administration
Department of the Interior
Washington 25, D.C.

Dear Mr. Strobel:

Re: Grant County Mine Project
D.M.A. Docket #371

Under date of January 8, 1951 we wrote a letter to Dr. James Boyd, Administrator, Defense Minerals Administration, Washington, D.C. enclosing a report of our Mr. Joseph H. Taylor, Vice President, on our Grant County Project.

After conferences in Silver City, New Mexico with Dr. Harrison Schmitt, mining geologist, Mr. John Soule, of the Bureau of Mines, and Mr. Robert Hernon, of the U. S. Geological Survey, it was the opinion of Dr. Schmitt and Mr. Taylor that the equipment and exploration work necessary in connection with the program to explore fully the Grant County area and intervening ground between Kearney Mine and Grant County Mine would require approximately $225,000.

I am enclosing two (2) photostatic copies of letter from Mr. Joseph H. Taylor, Vice President, under date of May 19, 1951, amending his original estimate of the cost of exploration in accordance with the review made at that time.

I will appreciate it if you will kindly have the enclosed amended letter attached to the report which I submitted to Dr. James Boyd with my letter of January 8, 1951.

Very truly yours,

PERU MINING COMPANY

Jas A Hill

Jas. A. Hill
President

JAH-frz
Enc.

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

May 19, 1951

To: Mr. James A. Hill, President
Peru Mining Company and
New Mexico Consolidated Mining Company
630 Fifth Avenue
New York 20, New York

Subject: Exploration of Grant County Mine and intervening ground between it and the Kearney Mine.

I wish to amend my estimate of the cost of exploration in accordance with our review here. I have consulted with Harrison Schmitt, Mining Geologist of Silver City, Mr. John Soule of the Bureau of Mines and Mr. Robert Hernon of the Geological Survey. It is now the opinion of Harrison Schmitt and myself that the following equipment and exploration work will be necessary in connection with this program to explore fully the Grant County area and intervening ground between the Kearney Mine and the Grant County Mine.

## EQUIPMENT

| | | |
|---|---|---|
| 1 | Electric Locomotive | $ 6,800.00 |
| 1 | Shovel Loader | 3,000.00 3265 – |
| 1 | Jumbo Drift Machine | 3,300.00 3800 – |
| 4 | Powerfeed Drifters | 4,000.00 |
| | Pipe, Valves and Fittings | 7,500.00 |
| | Blower and Pipe | 6,000.00 |
| 20 | One Ton Mine Cars | 4,000.00 |
| | | $ 34,600.00 |

## RECAPITULATION OF APPROXIMATE COST

| | | |
|---|---|---|
| 2,200 | Feet of Surface Diamond Drilling @ $4.00 | $ 8,800.00 |
| 4,000 | Feet of 6' x 7' Drift @ $30.00 | 120,000.00 |
| 5,400 | Feet of Underground Diamond Drilling @ $3.65 | 19,710.00 |
| 350 | Feet of Crosscutting at $30.00 | 10,500.00 |
| 1,500 | Feet of Churn Drill Hole for Ventilation | 22,500.00 |
| | Equipment | 34,600.00 |
| | Engineering (Estimated) | 8,890.00 |
| | | $225,000.00 |

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

July 6, 1951

To: Mr. James A. Hill, President
Peru Mining Company and
New Mexico Consolidated Mining Company
630 Fifth Avenue
New York 20, New York

Subject: Cost of Churn Drill Hole

For your information we have gone into the cost of drilling, with a churn drill hole, for ventilating a drift. We contemplate two such holes, the total number of feet drilled to be 1,500 feet. There are definite reasons for our estimate of $15.00 per foot.

1. These holes are to start at 12" in diameter

2. We contemplate these holes will decrease to 9" in diameter at 700 or 800 feet in depth.

3. A local drill contractor gave us an estimate of $12.00 per foot if no magnetite or garnet is encountered, with an extra charge for any extra hard rock.

4. On this basis we estimate the extras will raise the cost of drilling to $15.00 per foot.

5. A drill hole put down during 1946 to a depth of 560 feet by this contractor cost $11.84 per foot when completed.

I trust this information will be clear to you.

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

OFFICE OF
REGIONAL DIRECTOR

REGION IV

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

June 6, 1951

Memorandum

To: Landon Strobel, Executive Secretary, Defense Minerals Administration

From: DMA Field Team, Region IV

Subject: DMA Docket 371, Peru Mining Co., Grant County Zinc Mine, Grant County, New Mexico

Herewith is the report and original brochure on the above docket, DMA 371, wherein the investigators have recommended approval of an exploration loan in the amount of $112,500 by the Government.

This report has been reviewed and we concur in the conclusions and recommendations.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 8 - 1951
LANDON F. STROBEL
Executive Secretary

P. T. Allsman, Alternate

A. H. Koschmann

Attachments
One copy by air mail
Two copies by regular mail
Original brochure

ON-SITE REPORTS

UNITED STATES
DEPARTMENT OF THE INTERIOR
OSCAR L. CHAPMAN, SECRETARY

DEFENSE MINERALS ADMINISTRATION

REPORT OF EXAMINATION BY FIELD TEAM
REGION IV

# DMA-371, Peru Mining Company, Central Mining District

## Grant County, New Mexico

FOR GOVERNMENT USE ONLY

Robert M. Hernon, Geologist
U. S. Geological Survey

John H. Soulé, Mining Engineer
U. S. Bureau of Mines

June 1, 1951

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Mining Division
Region IV

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

June 6, 1951

Memorandum

To: DMA Field Team, Region IV

From: Chief, Mining Division

Subject: DMA Docket 371, Peru Mining Co., Grant County Zinc Mine, Grant County, New Mexico

Early in 1951 Peru Mining Company requested a loan of $500,000 under the Defense Production Act of 1950 for the exploration of the Grant County Mine. A considerable part of this amount was for exploration and by mutual consent between DMA and the company, the application was changed to an exploration project, consisting of drfiting, cross-cutting, and surface and underground drilling. The estimated cost of this program, which can be completed within two years, is $225,000. The order of potential tonnage that may be developed under this program is from 200,000 to 500,000 tons of from 5 to 12 percent zinc.

Peru Mining Company is operating two other mines on their property and a 1000-ton concentrator at Deming, New Mexico. The management is agressive and has a competent staff fully able to execute the program.

The authors of this report recommend approval of the exploration project at a cost to the Government of $112,500, with which I concur.

P. T. Allsman

Attachments

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

200 New Customhouse
Denver 2, Colo.

June 6, 1951

Memorandum

To : Field Team, Region IV

From : A. H. Koschmann

Subject: Peru Mining Company, Grant County Mine, Central Mining District, Grant County, New Mexico

I herewith transmit the geologic report on the above project by Robert M. Hernon.

A. H. Koschmann

A, H. Koschmann
Supervising Geologist
Colorado-Wyoming

Enclosures

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
P.O.Box 4126, University Station
Tucson, Arizona

June 1, 1951

Memorandum

To: Mr. A. H. Koschmann, Denver, Colorado

From: Mr. A. F. Shride, Tucson, Arizona

Subject: Peru Mining Company, Grant County Mine, Central Mining District, Grant County, New Mexico

Enclosed are original and 11 copies of the above report by Robert M. Hernon. Please return one copy to us and one to W. R. Storms.

The report and recommendation that a loan be granted for an exploration program have been reviewed by C. A. Anderson and have his approval.

A. F. Shride

A. F. Shride
Acting District Supervisor
Arizona-New Mexico

Enclosures 12

RECEIVED
JUN 1951
U.S. Geological Survey
Mineral Deposits Branch
Denver

UNITED STATES
DEPARTMENT OF THE INTERIOR

Arizona-New Mexico Branch
[redacted]
Box 4097
UNIVERSITY STATION

BUREAU OF MINES
MINING DIVISION
REGION IV

Mining Division
Date Rec'd.
JUN 4 1951
BUREAU OF MINES
Denver, Colorado

TUCSON, ARIZONA

May 31, 1951

Memorandum

To : Paul T. Allsman, Denver, Colorado

From : Chief, Arizona-New Mexico Br., Mining Div., Region IV

Subject : Final Report, DMA Docket 371, Peru Mining Co., Grant County Zinc Mine, Grant County, N. Mex.

Enclosed are original and 11 copies of the section on "Summary, Conclusions and Recommendations" by R. M. Hernon of the Geological Survey and J. H. Soule' of the Bureau of Mines, and the section on "Engineering" by Soule'.

This report has my approval. The section by Hernon and Soule' also has been approved by C. A. Anderson.

Walter R. Storms

Walter R. Storms

CC P. T. Allsman (11)
C. A. Anderson
DMA 371
DF

## SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

By R. M. Hernon[1] and J. H. Soule[2]

The Grant County zinc mine is located on a block of ground owned by the Peru Mining Co. This company has two operating mines, the Pewabic and the Kearney, on this same property just north of Santa Rita, Grant County, New Mexico.

DMA Docket 371 was submitted by the Peru Mining Co. and proposed exploration and development of the Grant County mine. After consideration by the officials of the company and Defense Minerals Administration examiners, the original proposal was converted to one pertaining to the exploration phase of the project. In this project the applicant and the Government share equally the costs of exploration. The development phase of the project will be considered later, depending upon the results obtained by exploration.

Nearly 60,000 tons of ore, containing 9.44 percent zinc, have been produced from the upper levels of the Grant County mine since 1928. A small amount of zinc ore was produced before that time. The proposed exploratory work will be done in an entirely new section of the property below the old mine and will be considered as a new mine.

Little is known of the deposits to be found by exploration, but from a mining standpoint it is expected that any new ore bodies will be similar to others in the district, and that established mining methods will be used.

---

1/ Geologist, U. S. Geological Survey
2/ Mining Engineer, Ariz.-N. Mex. Branch, Mining Div., Region IV, Bureau of Mines

The proposed exploration program at the Grant County mine has the object of making a new mine requiring entirely new development from 550 to 800 feet below existing workings. It is directed particularly toward determining the ore content of the Hanover and Middle Blue limestones. The Peru Mining Co. has a program in progress which has determined position of rock units and has shown ore-type mineralization, but to date has not shown ore of better than inferred class.

Known localizing factors for mineralization either are demonstrated in depth or there is no reason to question persistence to depth. These include presence of pre-ore dikes, demonstrated existence of the most favorable limestones which are as yet undeveloped, and fissures that will probably persist to depth.

Inferred ore in depth is estimated in two ways: Minimum expectable tonnage is estimated at several tens of thousands of tons. The order of total potential tonnage for which exploration funds would be expended is estimated at 200,000 to 500,000 tons. Such tonnages may not exist.

Range in grade is estimated at 5 to 12 percent zinc. Production from existing shallow workings has averaged 9.44 percent zinc which is the best available information on probable order of average grade in depth. Experience in neighboring mines in the lower limestones indicates the same order of probable average grade. Copper and lead are normally present in very small percentages.

The program of exploration herein reported has been studied and is acceptable to the Government's examining engineers. The project is recommended on an equal share of the costs by the applicant and the Government. The total cost of this proposal will be $225,000 and the work can be completed within two years.

# PERU MINING COMPANY, CENTRAL MINING DISTRICT
# GRANT COUNTY, NEW MEXICO

## Geology

By Robert M. Hernon
Geologist, U. S. Geological Survey

Geology

PERU MINING COMPANY, CENTRAL MINING DISTRICT
GRANT COUNTY, NEW MEXICO

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| Ore Reserves in Developed Area | 6 |
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ILLUSTRATIONS
(Figures 3-6 follow geological report)


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## INTRODUCTION

The Grant County mine is located about 7,500 feet east of Hanover, New Mexico, and about 4,000 feet east of the Hanover granodiorite intrusive. The mine is situated in a prominent ridge whose trend approximately parallels the strike of the sedimentary rocks and the strike of the pre-ore dike system along which ore bodies have been mined. The pre-ore dike system is in contact with much of the Carboniferous limestone section through the length of the property.[1/] A detailed description of the geology, mineralogy, and silicate alteration of the nearby Pewabic mine has been published by Harrison Schmitt.[2/] The two papers cited give essential references to the literature.

## ROCKS

The sedimentary rocks of the Grant County mine area that are pertinent to this report, are summarized in the following stratigraphic section. The proposed exploration level to be driven from the adjacent Kearney mine, 625 level, will be near the middle of the Hanover limestone in the southern part of the mine, locally near the top, and in the lower part or below the Hanover limestone in the northern part of the mine. The relations are shown on the accompanying longitudinal projection of the mine, as established by drilling.

1/ Spencer, A. C. and Paige, Sidney, Geology of the Santa Rita Mining Area, New Mexico; U. S. Geol. Surv. Bull. 859, 1935.

2/ Schmitt, Harrison, The Pewabic Mine; Geol. Soc. America Bull. vol. 50, pp. 777-818, 1939.

## Summary of Sedimentary Rocks and Sills, Grant County Mine Area

| | | Thickness | Local Terminology (Schmitt, etc.) | Host Rock for Ore |
|---|---|---|---|---|
| Cretaceous | Beartooth quartzite. | | | |
| Permian | Abo formation: shale, mudstone, and calcareous mudstone. | 100-180' | | |
| Pennsylvanian | Syrena formation, alternating shale, limestone, and impure limestone. A quartz diorite sill, 30 feet thick, is situated about 110' above base. | 320' | Syrena<br>Syrena, Mountain Home shale member: lower 50-70' | Replacement ore in Grant Co. mine and minor ore elsewhere in district |
| | Oswaldo formation: mostly fine-grained limestone, with minor thin shale beds; 20' Parting shale at base. A quartz diorite sill about 60 feet thick is situated about 100' above the base: the Hanover or Marker sill. | 535' | Banded beds 85'<br>Upper Blue 350'<br>Hanover sill<br>Middle Blue 80'<br>Parting shale 20' | Replacement ore in district<br>Second best ore host |
| Mississippian | Lake Valley formation Upper 100-125' is the pure crystalline member termed Crinoidal or Hanover limestone. Lower part is impure thinner-bedded limestone. | 300-315' | Hanover limestone 120'<br>Lower Blue about 200' | The main host for replacement ores throughout district. Rarely replaced by ore. |
| Devonian | Percha shale | 300' | | |

The sedimentary rocks are cut by a steeply-dipping set of dikes termed the Grant County dikes. These dikes, which strike a little east of north, are arranged in segments en echelon to the left ahead. There appears to be at least two segments in the portion of the mine to be explored in the proposed program. The dikes are granodiorite and are of established pre-ore age. The limestones along them are in many places altered to silicates with local sulfide ore bodies, or gossans derived from probable ore bodies. The dike rock shows variable alteration to chlorite, epidote, other silicate minerals, and pyrite. Known ore bodies of the Grant County mine are along one or both walls of the dikes.

Post-ore dikes of latitic composition cut both the sediments and the pre-ore dikes. Their strike is commonly at an acute angle to the strike of the pre-ore dikes. They intrude along or near northeast fractures and minor faults, some of which are known to be pre-ore in age.

The pre-granodiorite quartz diorite sills are indicated in the summary of sedimentary rocks.

## STRUCTURE

The sedimentary rocks of the Silver City-Hanover region are bowed into a large shallow structural syncline which is interrupted by numerous smaller structures. The most prominent of these smaller structures is the anticlinal uplift localized around the Hanover-intrusive. The Grant County mine lies east of the southern exposed part of this intrusive in the outer part of the anticlinal flank. The beds dip a little south of east on the average, at angles of

10 to 20 degrees. There are local departures from these generalized directions and angles.

Two directions of faults and fissures are characteristic of the district; northeast and in some areas northwest. The northeast pattern dominates. In places the northeast set has linked north-northeast faults and/or east-northeast faults. The northeast set in places swings to nearly north strike and in others to a nearly east strike. The northwest system is essentially lacking in the Grant County mine so far as known. Intensity of northeast fracturing and faulting in the Grant County mine appears to be mild compared to the central part of the mining district.

The two directions of faulting and fissuring, and variants, developed before ore deposition. There were a number of post-ore reopenings along these sets of fissures, commonly in, or close to, the older structures.

Reopening of fractures intruded by dikes may be restricted to certain segments due to movement along fractured belts that intersect at an acute angle. There is commonly pre-ore reopening along or in the dikes, more or less parallel to their walls.

## ORE SHOOTS AND LOCALIZATION

Replacement type ore shoots in the Central mining district are elongated to irregular masses whose cross sections vary from flat-tabular to roughly equidimensional to high narrow forms. These types may show wedge-shaped extensions at the top controlled by the bedding and steep cross-cutting structure. Size of bodies may range from a few hundred tons to several hundred thousand tons.

The ore minerals are sphalerite and usually small amounts of galena and chalcopyrite. Gangue minerals include garnet, salite,

epidote, chlorite, quartz, ilvaite, altered host rock minerals, pyrite, and calcite. Aluminous host-rocks are commonly altered to epidote, chlorite, and "sericite." Other minor gangue minerals are known in addition to those mentioned.

The exploited oreshoots of the Grant County mine are all situated in beds of the Syrena formation along and close to the Grant County dikes. The shoots are relatively high as compared with horizontal thickness, with pinches and swells corresponding to local structural conditions and the composition of the sedimentary layers. Shaly beds are marked by thin or low grade ore or waste. The limestone beds correspond with better ore and ore-widths.

The mined oreshoots in the Grant County mine are localized by reopening along the walls of the Grant County dike. Study of Harrison Schmitt's[1/] geologic map of the Las Cruces tunnel level shows a relative concentration of northeast fissuring in the interval between coordinates 3100 to 4000 North. Many of the fractures are not known to be pre-ore but many such may show mineralization somewhere on strike. If this belt of more intense fissuring is projected to the Grant County dike, it coincides rather closely with the mined ore shoots plus the surface gossans as yet undeveloped to the north. Fissuring is also more intense between coordinate 2900 N. and the south face of the drift near 2700 N. Again not all these fissures show mineralization but ore is known along a strong mineralized fissure near the south face. The general interpretation is that the pre-ore members of the fissures constitute an important localizing factor for ore.

On the surface there is some pre-ore reopening parallel to the walls of the dike both within the dike and in the host-rock. This may be

1/ Private report.

reopening that follows the dike for long distances, or may be largely restricted to the segments of dike intersected by stronger than normal fissuring of the northeast set, or it may be stronger than average within such segments of intersection.

The vertical position of the known ore shoots appears to be a direct result of composition of beds with possibly some effect of bedding adjustments.

## ORE RESERVES IN DEVELOPED AREA

Ore reserves of measured and indicated classes are all in the area of existing development within the Syrena formation. These reserves have no direct bearing on the proposed exploration program, for the new program is predicated on the hope of making a new mine requiring entirely new development 550 to 800 feet below existing workings.

The amount of measured ore is so small that it is included in the indicated reserves. Jerry W. Faust, General Superintendent for the Peru Mining Co., Hanover, New Mexico, has estimated reserves in the existing workings. These were checked and are believed to be a fair and probably conservative estimate of ore tonnages. The blocks are shown on the accompanying longitudinal projection.

| | | Grade in zinc (discounted 30% by Mr. Faust) |
|---|---|---|
| Indicated ore | 9,300 tons | 6.32% |
| Inferred ore | 5,250 tons | 6.29% |

The tonnage of inferred ore near the existing workings is here estimated at not less than 15,000 tons.

ORE RESERVES IN AREA TO BE EXPLORED BY PROPOSED PROGRAM-INFERRED ORE

Exploration of this area from 550 to 800 feet below existing workings is now in progress. To date, this drilling has determined elevation of the favorable lower limestones and position of the pre-ore dikes, and has penetrated ore-type mineralization. There is no development in the area and all ore is of inferred class.

An estimate of the order of inferred ore in the Hanover and Middle Blue limestones, the formation to be explored primarily by the proposed program, requires some discussion. The penetrations of ore-type material mentioned and other data are summarized in the longitudinal projection and the two cross sections that accompany this report, and in the following paragraphs.

Known ore, strong gossans, and penetrations of ore-type material by diamond drill holes, are distributed over a horizontal distance of about 2000 feet and a vertical distance of about 1000 feet as seen on the longitudinal projection. Penetrations of mineralization in depth summarize as follows:

| Horizon | Feet of Penetration | Zinc % | Dike and Side | Apparent Distance From Dike |
|---|---|---|---|---|
| Upper Blue | -- | Shines* | East-west side | At contact |
| | 1.5 | 8.5% | East-west side | In horse, or limestone between splits of dike |
| | -- | Shines | East-east side | 8-10 feet |
| Middle Blue | -- | Shines | Between dikes | 65 and 110 feet |
| | 4.0 | 3.2% | West-west side | At contact |
| | 10.0 | 3.8% | East-west side | 30 feet |
| | -- | Shines at base | East-west side | 12 feet |
| | -- | Shines | East-east side | 30 feet |
| | 4.0 | 7.6% | East-east side | 33 feet |
| Hanover limestone | 5.5 | 4.4% | East-west side | 55 feet |
| | 4.0 | 7.7% | West-east side | At contact |

* "Shines" means zinc is present but not in sufficient quantity to assay.

In view of the fact that these holes were directed primarily to obtain geologic information such as position of the beds and the dikes, and that many penetrations are fairly distant from the pre-ore dikes, this showing must be regarded as favorable. These holes also penetrated considerable thicknesses of silicate alteration that is a common associate of ore in the district, though most of the minerals do occur in places away from known ore. Exploration drilling is continuing at present, and drilling on a new section, Section 15000, is to start about the week ending May 19.

It is known that the most favorable limestones in the district, the Hanover and Middle Blue, are present in depth; drilling has demonstrated pre-ore dikes in depth; penetrations of ore-type material and typical gangue have been made; there is no known reason why the pre-ore fissuring known in the old mine should not persist to depth; and finally, ore in higher limestone members in the district is commonly over ore in lower members.

The general geologic features, therefore, appears to be moderately favorable and on this basis the following estimates of minimum expectible tonnage, and potential tonnage are made. It seems probable that minimum ore expectation is of the order of several tens of thousands of tons. Ore tonnage that may be indicated by the present and proposed exploration program is here estimated at between 200,000 and 500,000 tons, within or near the Hanover and Middle Blue limestones. Such tonnages may not exist but the figures are believed to represent the potential for which exploration funds would be gambled.

The grade of inferred ore will probably range between 5 and 12%, judging from experience in the stopes of the Grant County mine and in

adjacent parts of the Central district, and from the penetrations made in drill holes. This does not exclude the possibility of higher grade ore bodies, but seems to be a fair appraisal of probable range in grade.

## SUMMARY AND CONCLUSIONS

The localizing factors that have made ore in the developed part of the Grant County mine are known to persist or are likely to persist to the depths of the most favorable limestones. Minimum expectible tonnage of ore to be indicated by the proposed and existing exploration program is estimated as of the order of several tens of thousands of tons. The total potential ore is estimated at between 200,000 and 500,000 tons. Grade of ore is expected to range between 5 and 12% zinc. Grade of old production from the Grant County mine has averaged 9.44% zinc which is the best information available on probable average grade of ore in depth.

The Grant County mine is regarded as one of the better prospects in the Southwest for development of moderate tonnages of comparatively low grade zinc ore.

GRANT COUNTY ZINC MINE
CENTRAL MINING DISTRICT
GRANT COUNTY, NEW MEXICO

DMA Docket 371

Engineering Report

By John H. Soule'
Mining Engineer
U. S. Bureau of Mines

Engineering

GRANT COUNTY ZINC MINE
CENTRAL MINING DISTRICT
GRANT COUNTY, NEW MEXICO

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## INTRODUCTION

Late in 1950 the Peru Mining Co. applied for Government aid under the Defense Production Act of 1950 to explore and develop the Grant County mine, (DMA Docket 371), in Grant County, N. Mex. Subsequent consideration was given to breaking the proposal into its two phases and considering only the exploration at this time, the development phase being dependent upon the results obtained by exploration. The original proposals have been revised, so this report deals with the exploration project only.

The Peru Mining Co. is desirous of Government participation in the program on an equal share basis, the Government's share to be repaid out of any ore discovered. The total cost of the program is $225,000. Total time to complete should be less than 2 years.

## ACKNOWLEDGMENTS

Acknowledgment is made of the assistance rendered and data submitted by Joseph H. Taylor, manager, Harrison Schmitt, consulting geologist, and J. W. Faust, superintendent, of the Peru Mining Co. and its subsidiary, the New Mexico Consolidated Mining Co.

## LOCATION, TOPOGRAPHY AND PHYSICAL FEATURES

The Grant County mine is situated in adjoining secs. 22 and 23, T. 17 S., R. 12 W., in the Central Mining District, Grant County, N. Mex. The property is east of Hanover, and north of Santa Rita, N. Mex., and can easily be reached after local inquiry (see Fig. 1).

The mine is situated on the south end of a small range of mountains that extends southerly from Fierro, N. Mex., almost to Santa Rita. The elevation of the mine is about 7,000 feet. The surface topography is not rugged although some slopes may be steep.

Vegetation consists of mountain cedar, pinon pine, cactus, range grass, and various shrubs. There are no permanent streams in the area. Some water is pumped from various mines in the district, but the elevation of the water table in the Grant County mine is unknown.

Precipitation averages about 18 inches per year, largely as summer thunder showers. Winter snows usually are not severe so the weather hampers underground mining but little. Temperatures range from 95 degrees in the summer to below zero in the winter, but extreme weather is not prolonged.

The mine is located in an established mining district and labor, housing, equipment and supplies readily are available unless unusual future conditions should prevail.

## HISTORY AND PRODUCTION

The Peru Mining Co., since its acquisition of the Grant County mine in 1928, has produced 59,495 tons of ore containing an average of 9.44 percent zinc from the upper levels of this mine. Some small production was made prior to 1928.

## OWNERSHIP AND EXTENT

The Peru Mining Co., and its subsidiary, the New Mexico Consolidated Mining Co., own a block of nearly 50 mining claims adjoining the property of the Chino Mines Division of the Kennecott Copper Corp. There are three mines, the Pewabic, Kearney and the Grant County, in this block. All have produced zinc ores. The Pewabic and Kearney now are producing and are among the important zinc producers of the district.

## DESCRIPTION OF DEPOSIT

The prevailing rocks at the Grant County mine are Paleozoic limestones and other sedimentary rocks. These have been intruded by numerous dikes, both pre-ore and post-ore. Ore occurs near one or more of the dikes, at the contact with limestone, in the upper explored part of the mine.

The Hanover (Mississippian) limestone occurs at depth. This member is the host for large replacement zinc ore bodies in the district. Some drilling has indicated favorable conditions in the Grant County mine for finding zinc ore in the Hanover limestone near the contacts of the pre-ore dikes.

## MEASURED ORE RESERVES

The measured ore reserves in the Grant County mine are negligible. Company estimates of 14,550 tons of indicated and inferred ore containing 6.30 percent zinc seem conservative. These reserves, however, occur in the old upper part of the mine and are not to be

considered part of any reserves found in exploring the lower part of the mine as recommended in this report. The expected indicated and inferred reserves are discussed in detail in the section on Geology.

## PRESENT STATUS

The Grant County mine now is idle except for some exploratory work in progress. Any ore discovered by the project proposed in this report will mean a new mine. Any discovered ore will be 500 to 800 feet below existing workings. Milling facilities are available at the company's 1,000-ton concentrator near Deming, N. Mex. This concentrator is not operating at full capacity at the present time (May 1951). It is expected that any discovered ore bodies will conform to other ore bodies in the district as to minability.

## PROPOSED EXPLORATION AND DEVELOPMENT

The proposed exploration of this mine is idealized in Figure 2. There should be considerable flexibility in this plan to care for unseen geological characteristics that may warrant pointing the drill holes differently, or driving the drift differently than that shown on the plan. Some items may be omitted and others added as dictated by conditions encountered. However, it is expected that in general the plan will be followed.

Because of the depth at which the possible ore bodies lie, only enough surface core drilling should be done to acquire

needed geologic information. Subsequent exploration should be done by crosscutting and drifting with underground core drilling of short holes.

As the geologic prospects of finding ore are very good, the proposed long tunnel from the 625-foot level of the Kearney mine serves a quadruple purpose. First, its elevation is such that in its driving it will explore or be near a very favorable ore horizon. Second, it will reveal any favorable and possibly hidden structures as it is being driven to its objective, the Grant County dike. Third, it will serve as a base for short hole drilling of favorable structures near the dike, as the structures are too deep to core drill from the surface with any expectation of finding ore bodies. Fourth, it will serve as a means of extracting any ore that is discovered.

This proposed program of exploration should be completed in less than two years.

## ESTIMATED COST

The following costs were submitted by officials of the Peru Mining Co. They have been checked and found to be reasonable.

### Contractural Services

| | |
|---|---|
| 2,200 feet of Surface diamond drilling @ $4 | $ 8,800 |
| 4,000 feet of 6 ft. by 7 ft. Drift @ $30 | 120,000 |
| 5,400 feet of Underground diamond drilling @ $3.65 | 19,710 |
| 350 feet of Crosscutting @ $30 | 1,050 |
| 1,500 feet of Churn drill hole for ventilation | 22,500 |
| Total | $172,060 |

## Equipment

| | |
|---|---|
| 1 - Electric locomotive | $ 6,800 |
| 1 - Shovel loader | 3,000 |
| 1 - Jumbo drift machine | 3,300 |
| 4 - Powerfeed drifters | 4,000 |
| Pipe, valves, and fittings | 7,500 |
| Blower and ventilating tube | 6,000 |
| 20 - One-ton mine cars | 4,000 |
| Total | $ 34,600 |

## Other

| | |
|---|---|
| Engineering and extras | $ 18,340 |
| All totals | $225,000 |

## Recapitulation

| | |
|---|---|
| Contractural services | $172,060 |
| Equipment | 34,600 |
| Other - engineering | 18,340 |
| Totals | $225,000 |

## PROPOSED FINANCING

This work should be financed by Government participation under the Defense Production Act in which the Peru Mining Co. and the Government will share costs equally. The Government's share of the expenses will be repaid, if any ore is found, from said discovered ore.

## CONCLUSIONS

The proposed exploration program in depth below the Grant County mine is regarded as one of the better bets in the southwest for eventual development of moderate tonnages of 8 to 10 percent zinc ore.

The program as outlined in Figure 2 will cost about $225,000 and should be completed within two years.

There is no doubt that the applicant is fully qualified to undertake this exploratory work. Their record of successful operation in the district testifies to their qualifications.

## RECOMMENDATIONS

The Government examiners recommend that the exploration of the Grant County mine as outlined in this report be undertaken on a participation basis with the cost to the Government being $112,500.

MINE: HANOVER, N. M. MILL: PERUHILL, N. M.

# PERU MINING COMPANY

SILVER CITY, NEW MEXICO

May 19, 1951

To: Mr. James A. Hill, President
Peru Mining Company and
New Mexico Consolidated Mining Company
630 Fifth Avenue
New York 20, New York

Subject: Exploration of Grant County Mine and intervening ground between it and the Kearney Mine.

I wish to amend my estimate of the cost of exploration in accordance with our review here. I have consulted with Harrison Schmitt, Mining Geologist of Silver City, Mr. John Soule' of the Bureau of Mines and Mr. Robert Hernon of the Geological Survey. It is now the opinion of Harrison Schmitt and myself that the following equipment and exploration work will be necessary in connection with this program to explore fully the Grant County area and intervening ground between the Kearney Mine and the Grant County Mine.

EQUIPMENT

| | |
|---|---|
| 1 Electric Locomotive | $ 6,800.00 |
| 1 Shovel Loader | 3,000.00 |
| 1 Jumbo Drift Machine | 3,300.00 |
| 4 Powerfeed Drifters | 4,000.00 |
| Pipe, Valves and Fittings | 7,500.00 |
| Blower and Pipe | 6,000.00 |
| 20 One Ton Mine Cars | 4,000.00 |
| | $ 34,600.00 |

RECAPITULATION OF APPROXIMATE COST

| | |
|---|---|
| 2,200 Feet of Surface Diamond Drilling @ $4.00 | $ 8,800.00 |
| 4,000 Feet of 6' x 7' drift @ $30.00 | 120,000.00 |
| 5,400 Feet of underground Diamond Drilling @ $3.65 | 19,710.00 |
| 350 Feet of Crosscutting at $30.00 | 1,050.00 |
| 1,500 Feet of Churn Drill Hole for ventilation | 22,500.00 |
| Equipment | 34,600.00 |
| Engineering | 18,340.00 |
| | $225,000.00 |

Jos. H. Taylor

Jos. H. Taylor
Vice President

JHT:F

A.E.C.

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

May 7, 1951

DMA-313 & 371
Peru Mining Company
Pewable Mine, New Mexico

Honorable Edwin C. Johnson
Honorable Eugene D. Millikin
United States Senate
Washington 25, D. C.

Dear Senators Johnson and Millikin:

I have your letter of April 30 requesting my conclusions after studying the information contained in the letter dated April 19 you received from Mr. Joseph H. Taylor, Vice President of the Peru Mining Company, Silver City, New Mexico. Mr. Taylor's letter is returned herewith.

The Zinc Advisory Committee meeting referred to by Mr. Taylor was conducted by Defense Minerals Administration to consider problems of maintaining and expanding the domestic production of zinc.

Incentives designed to increase production discussed in particular were:

1. Incentive Bonus Plan
2. Five Year Guaranteed Minimum Price.

The incentive bonus plan contemplates a bonus of four cents per pound of zinc for new production and production in excess of the average annual production rate of a mine. As practically all of the smaller mines of the country would qualify for the bonus, the incentive would cover a broad field in its application and prove helpful to small business. The cost for an expanded production of 100,000 tons of zinc would amount to approximately $8,000,000 per year. This plan was supported strongly by Mr. Taylor during the Committee meeting and is recommended for your consideration in his letter. A copy of the plan is attached for your information.

Discussion of the bonus plan by the Advisory Committee brought forth opinions from experienced operators that the bonus would result in a quick expansion of production from small mines. Others, however, recommended incentives of different types, preferably taxation incentives to attract investment capital to the mining industry and measures to add price stability to market prices of metals.

Many industry representatives stated that a price guarantee for five years would encourage the opening and development of new zinc mines, thereby expanding production.

With reference to the recommendation relating to taxation incentives, it would seem that the timing is not appropriate when consideration must be given to tax increases in order to support the defense effort.

The recommendation for a five year guaranteed minimum price has encountered the objection that the contingent liability involved runs into a very large amount of money. The point has been raised that a contingent liability might be required to cover an annual mine production of some 700,000 tons of zinc.

The National Minerals Advisory Council appointed by the Secretary of the Interior was called by the Secretary to meet in Washington on January 29 of this year. With respect to production incentives, the report approved by the Council stated:

> "As to other metals customarily domestically produced under free market conditions, the Committee believes that a flat premium for excess production, whether from new or established mines, fixed at a rate high enough to bring supply and permissible demand in balance, would be the most efficient and economical method of solving the problem."

This advice from the Council is in accordance with Mr. Taylor's suggestion to you. I appreciate having Mr. Taylor's views on the problem of expanding the domestic production of zinc.

Inasmuch as both of these plans call for the commitment of very large sums of money by the Federal Government, the decision to enter into them is dependent on the availability of appropriations or authorizations by the Congress to commit such funds. Total requirements for all such programs are far in excess of present Congressional authorizations, hence the delay in the announcement of a specific plan.

If I can be of further assistance, please do not hesitate to call on me.

OHERRES:ks

Sincerely yours,

JAMES BOYD
Administrator

cc: Administrator
Deputy Administrator
Mr. Stöbel
Mr. Mote
Mr. McKnight
Mr. Herres
Files

Enclosures

April 30, 1951

Honorable Dennis Chaves
United States Senate
Washington 25, D. C.

DMA 313 & #71
Peru Mining Company
Pewabic Mine

Complete letter filed on DMA 313 856

April 30, 1951

Honorable Clinton P. Anderson
United States Senate
Washington 25, D. C.

DMA 313 & 371
Peru Mining Co.
Pewabic Mine
New Mexico

complete letter filed on DMA 313 856

DMA 313 & 371

CLINTON P. ANDERSON
NEW MEXICO

DANDON F. STROBEL

COMMITTEES:
AGRICULTURE AND FORESTRY
INTERIOR AND INSULAR AFFAIRS
JOINT COMMISSION ON ATOMIC ENERGY

# United States Senate

WASHINGTON, D. C.

BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.
APR 24 12 13 PM '51

April 23, 1951

Dr. James Boyd, Director
Bureau of Mines
Department of the Interior
Washington, D. C.

4/24/51
Yours
Reply - Boyd
and 5/2

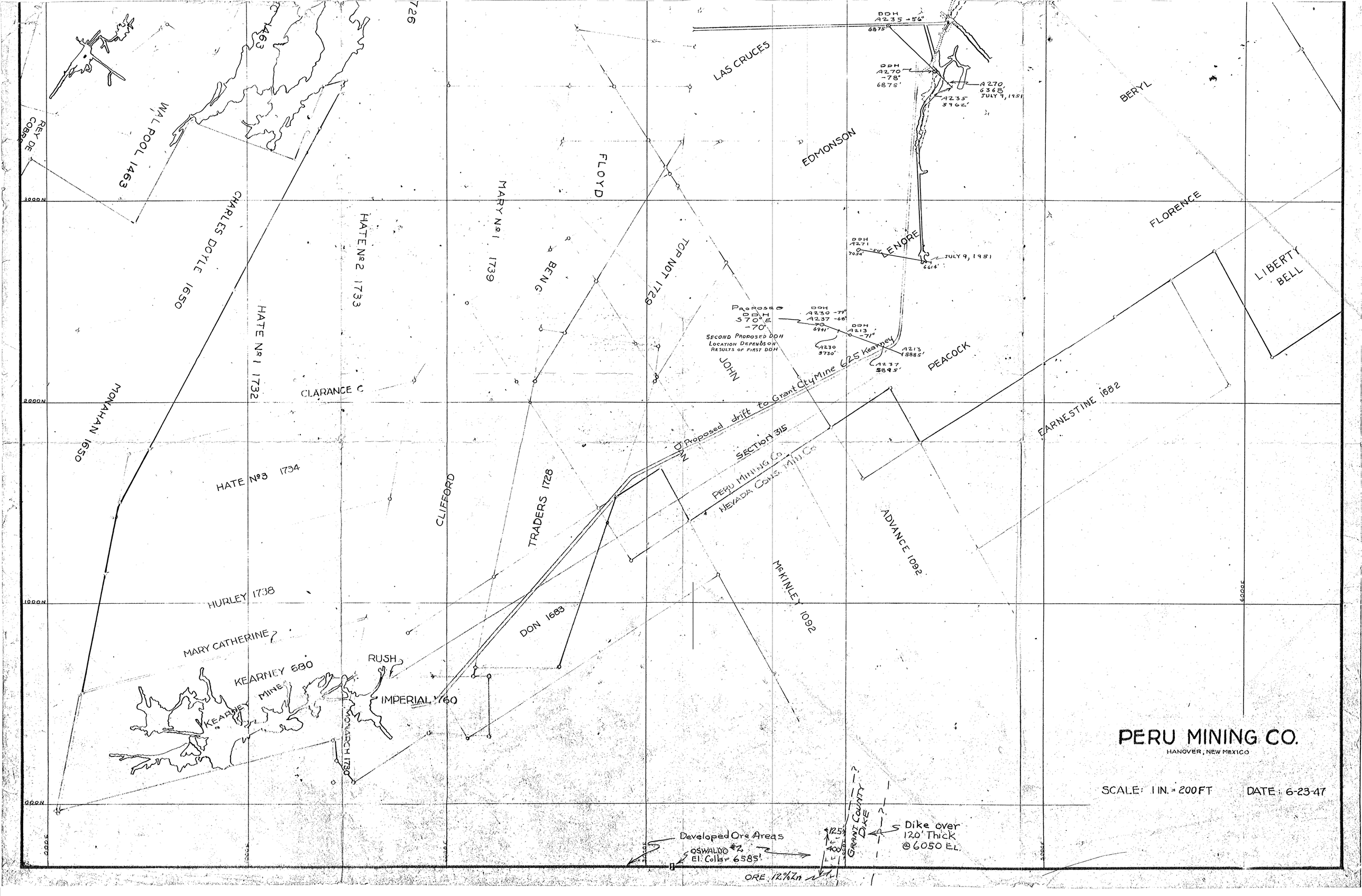
Dear Jim:

I am enclosing a letter which arrived today from the Jerni Mining Company. As you may remember, these people are the largest producers of zinc in our State. Our state is now fourth or fifth in the production of zinc. When you have had a chance to read through his letter and give me some comments on it, I will appreciate it.

Sincerely yours,

Clinton P. Anderson

CPA:lm


PERU MINING CO.
HANOVER, NEW MEXICO
SCALE: 1 IN. = 200 FT
DATE: 6-23-47
LAS CRUCES
EDMONSON
BERYL
FLORENCE
LIBERTY BELL
ENORE
PEACOCK
JOHN
FLOYD
MARY No 1 1739
BENG
TOP NOT 1729
CHARLES DOYLE 1650
HATE No 2 1733
HATE No 1 1732
HATE No 3 1734
MONAHAN 1650
CLARANCE C
CLIFFORD
TRADERS 1728
DON 1683
MCKINLEY 1092
ADVANCE 1092
EARNESTINE 1682
HURLEY 1738
MARY CATHERINE
KEARNEY 580
KEARNEY MINE
RUSH
IMPERIAL 1760
MCDONALD 1730
WAL POOL 1463
REX DE COBRE
Proposed drift to Grant Cty Mine 625 Kearney
SECTION 315
PERU MINING CO.
NEVADA CONS. MIN. CO.
DDH A235 -56°
DDH A270 -78°
DDH A271
DDH A230 -79°
DDH A237 -68°
DDH A213 -71°
PROPOSED DDH 370° E -70°
SECOND PROPOSED DDH LOCATION DEPENDS ON RESULTS OF FIRST DDH
JULY 9, 1951
Developed Ore Areas
OSWALDO #2
El. Collar 6585'
ORE 12% Zn
GRANT COUNTY DIKE
Dike over 12.0' Thick @ 6050 EL.

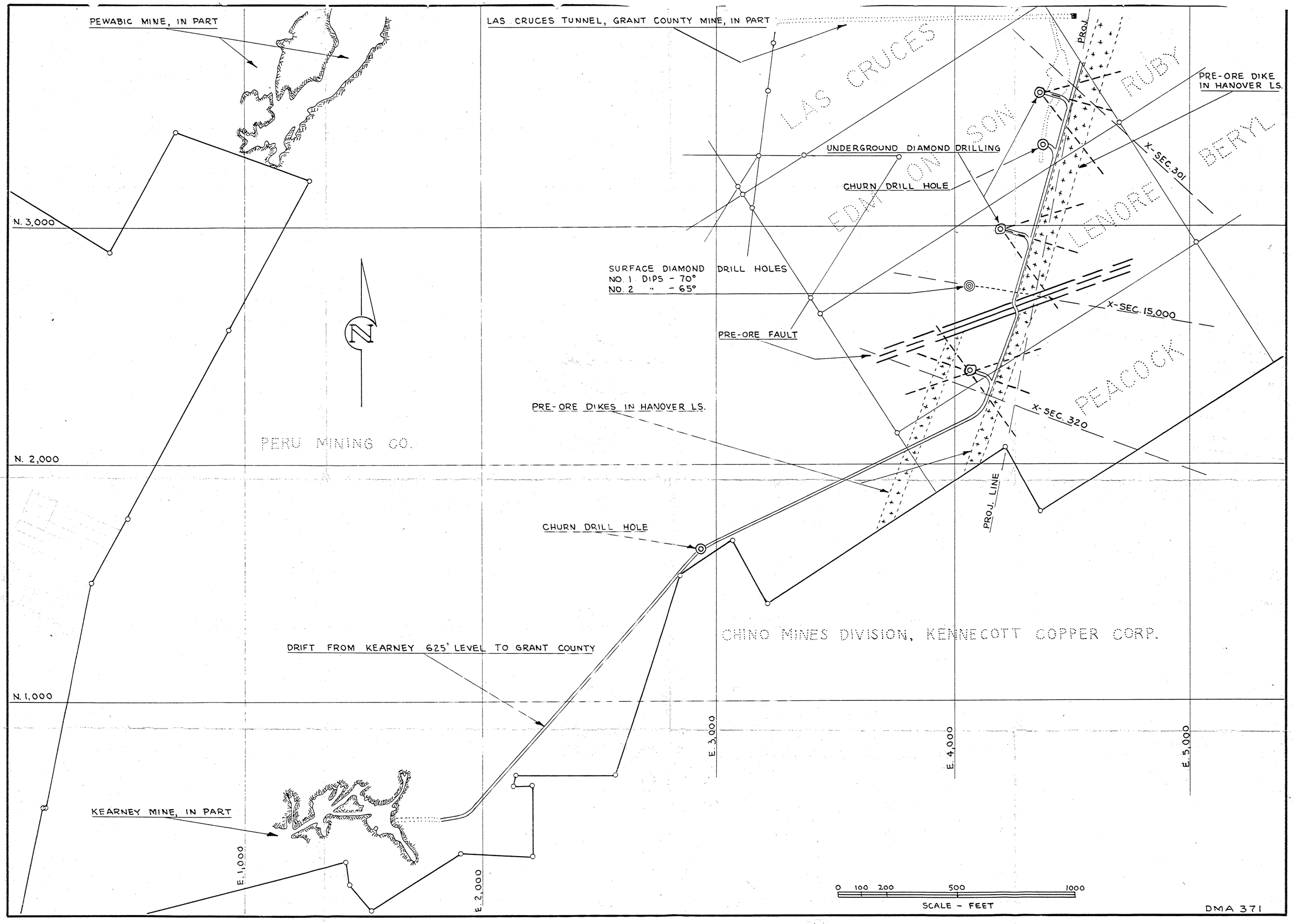



Figure 2 - IDEALIZED PLAN OF PROPOSED EXPLORATION, GRANT COUNTY MINE, GRANT COUNTY, NEW MEXICO

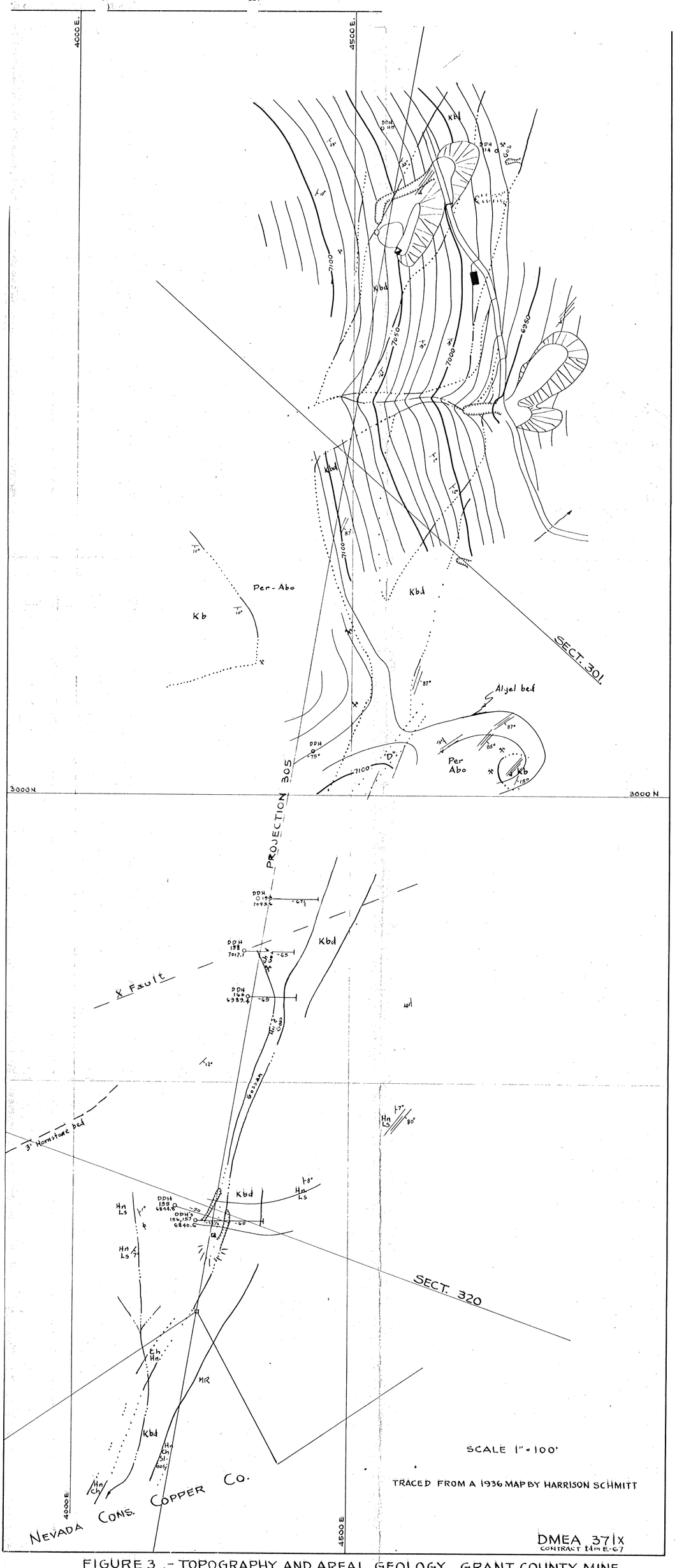



FIGURE 3 .- TOPOGRAPHY AND AREAL GEOLOGY, GRANT COUNTY MINE, PERU MINING CO., GRANT COUNTY, NEW MEXICO.

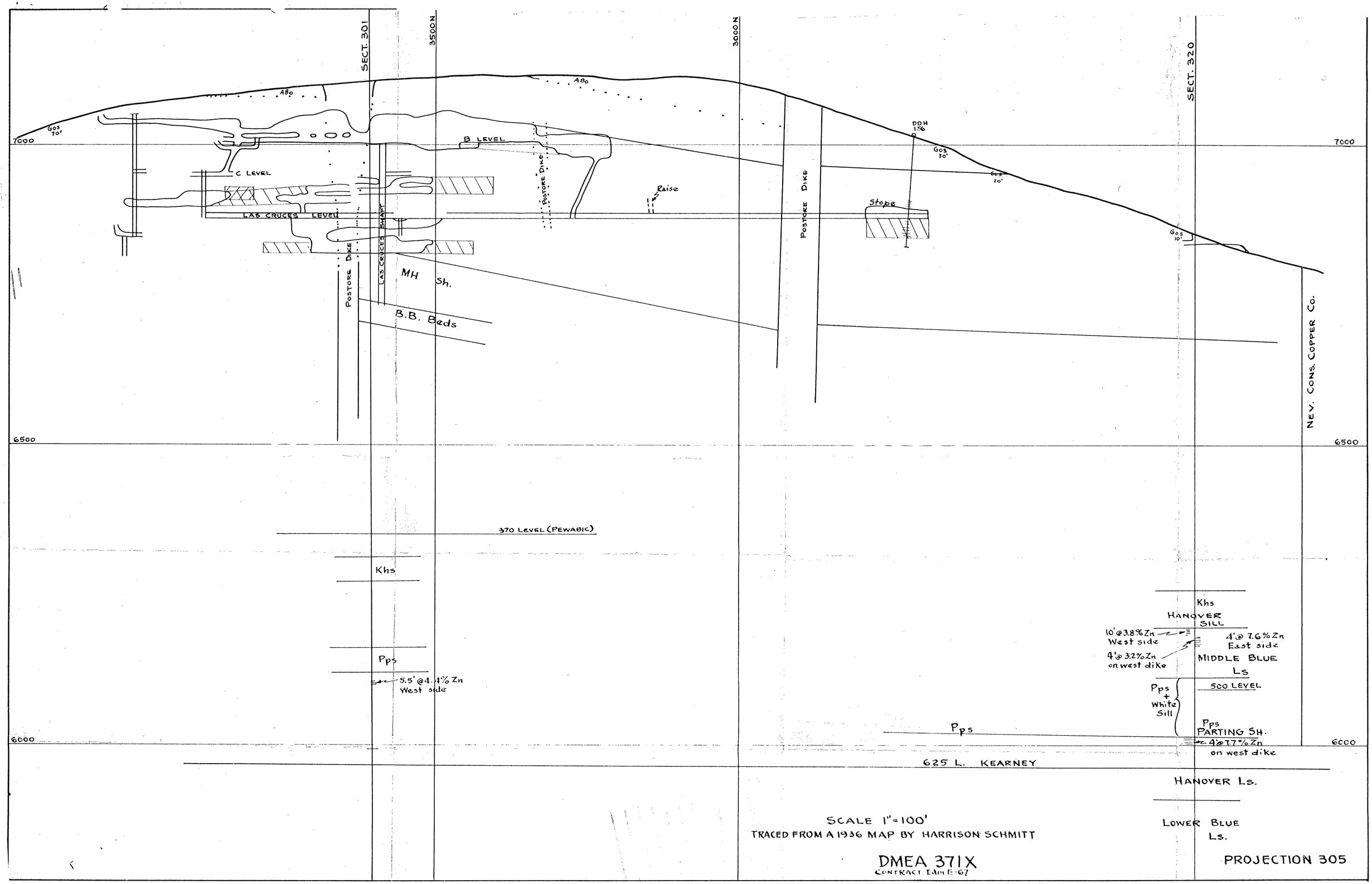



FIGURE 5 .-LONGITUDINAL VERTICAL PROJECTION OF VEIN, GRANT COUNTY MINE, PERU MINING COMPANY, GRANT COUNTY, NEW MEXICO.