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-E655, Docket IMEA-3044 (uranium), dated January 8, 1954, with

Uranium Development Corporation
Box 387
Grants, 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 U. D. C. Claims located in Valencia County, New Mexico, during the period June 16, 1959, through April 15, 1963.

In accordance with the Termination Agreement, Article 6, and Annex I of the contract, royalty is payable on all minerals produced from the land described in Article 2 of the contract for a period of 10 years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first. A Report of Review dated November 23, 1955, indicated accepted costs under the exploration contract amounting to $1,942.20 with the Government's contribution on a 90 percent basis being $1,747.98.

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

This review found 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 15, 1959. Accordingly, as of April 15, 1963, the royalty account of this project was found to be:

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

E. N. Talbert
E. N. Talbert, OME Auditor

April 18, 1963

STATUS OF PROJECT, SCOPE OF REVIEW AND REASONS THEREFOR

The Termination Agreement dated September 7, 1955, but effective June 8, 1954, 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 land under the contract. The land consists of the U. D. C. Nos. 1 through 4 unpatented claims in sec. 4, T. 12 N., R. 9 W., N.M.P.M., Mount Taylor section of the Grants Mining District. At the time the contract was executed the Operator was in possession of the mineral rights by virtue of a January 15, 1953, lease from William G. Coffey, the Operator's vice president and the locator of the claims. In consideration of the contract, Owner's Consents to Lien were executed by both Mr. Coffey and Henry C. and Bertha D. Elkins, owners of the surface rights under homestead regulations.

Exploration work to which the Government contributed was performed during the month of February 1954 only. Thereafter, some additional exploratory drilling for the Operator was performed by the Coffey Drilling Company and an AEC representative reported some operations by Holly Uranium Company in December 1954 and January 1955.

Examinations of the property and inquiries by DMEA and OME regional representatives disclosed no evidence of production through February 1, 1960, and resulted in information that the Operator had ceased to exist and the property was returned by court order to William G. Coffey. In an April 15, 1963, reply to a MME Form 63 inquiry, Mr. Coffey, whose present address is Box 84, Ramah, New Mexico, advised that neither production nor change in property status had occurred since February 1, 1960.

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

(1) The files indicate that no minerals have been produced from the property under the contract since the date thereof; 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.

FILE COPY
O. M. E.
RECEIVED APR 25 1963
DATE
800

Building 20 - Federal Center
Denver 25, Colorado

April 23, 1963

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: RMEA-3044 (Uranium)
Contract Idm-E655
Uranium Development Corporation
(U. D. C. Claims)
Valencia County, New Mexico

Attached is the original Report of Royalty Review dated April 18, 1963 on the subject property covering the period June 16, 1959, through April 15, 1963.

Digitally signed by

Hugh M. Connors

Attachments

cc Chief, Division of Field Operations, OME
E. D. Talbert, Acting Chief
Contract Administration and Audit Division
Royalty Corres. Idm-E655
Chron
HMC/lm

Memorandum

To: Acting Field Officer, Region III

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

Subject: [redacted]-3044 (Uranium)
Uranium Development Corporation
U. D. C. Claims
Valencia County, New Mexico
Contract I4m-K655

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, U. S. 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 4-18-63

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

JUN 19 1959
O.M.E.

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Executive Officer, OME Field Team, Region III, Denver, Colorado pertaining to Contract Idm-N655, Docket No. DMEA 3044, dated January 8, 1954, with

Uranium Development Corporation
Box 387
Grants, New Mexico

for the purpose of determining the amount of royalties due the U. S. Government on the sales of Uranium, from property referred to as U.D.C. Claims, located in Valencia County, New Mexico, during the period January 8, 1954 to June 15, 1959.

Pseudo Certification was effected in Termination Agreement dated September 7, 1955, and accordingly royalty is payable on all the land described in Article 2 of the contract for a maximum period of 10 years. A Report of Review in lieu of Final Cost Audit dated November 23, 1955, indicated accepted costs under the exploration contract amounting to $1,942.20 with the Government's contribution on a 90 percent basis being $1,747.98.

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 Annual Report of certified project for the period July 1, 1955 to June 30, 1956, operation ceased about June 8, 1954; no ore has been shipped since January 8, 1954, (The date of the exploration contract). Subsequent semi-annual reports of Field Team during period July 1, 1956 to December 31, 1958, indicate the property 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 15, 1959

Donald T. Finch
Donald T. Finch
OME Auditor

JUN 22 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-3044 (Uranium)
Uranium Development Corporation
Contract No. Idm-E655

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

EDTalbert/ama
June 19, 1959

Copies to: Docket
Director's Reading File
Code 800

REPORT
OF REVIEW

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

RECEIVED
NOV 28 1955

I have reviewed the Monthly Reports of:

Uranium Development Corporation
Incorporated in New Mexico
Box 387, Grants, New Mexico.

pertaining to Exploration Project Contract No. Idm-8655, Docket No. DMEA-3044, for the month of February, 1954, and Termination Agreement dated September 7, 1955 covering a project for the exploration of Uranium on property known as U.D.C. Claims, located in Valencia County, New Mexico.

My review included an examination of the Monthly Reports (Form MF-104) and supporting documents attached thereto, comparison of the costs claimed with the contract and pertinent schedules, consultation with the Executive Officer, DMEA Field Team, and a determination of the reasonableness and propriety of the costs.

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

> All of the costs incurred were under a contract provision for payment by the Government on the basis of agreed estimated costs of units of work actually performed.

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

Total cost as billed by Contractor		$1,942.20
Exceptions;		
By DMEA Finance Officer	$0.00	
Herewith	0.00	0.00
Total Accepted Cost		$1,942.20

The contract calls for a 90 percent participation of exploration expenses by the United States Government. Therefore, payment to the Contractor by the Government in the amount of One thousand, seven hundred forty-seven, and 98/100ths Dollars

** $1,747.98 **

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

November 23, 1955

T. H. Brading, Auditor.

c
o
p
y

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

224 New Customhouse
Denver 2, Colorado

March 23, 1955

Mr. Ewing Williams, President
Uranium Development Corporation
Box 387
Grants, New Mexico

Re: Docket DMEA 3044 (Uranium)
Contract Idm-E655
Uranium Development Corporation
U.D.C. Claims 1 to 4
Valencia County, New Mexico

Dear Mr. Williams:

Reference is made to your letter of March 17, 1955, wherein you request written confirmation of verbal advice given you in this office that the Government would consent to the termination of the contract upon receipt of repayment in full of the amount of Government participation to date in the costs of work performed.

This letter can be considered as a confirmation of the above advice.

Records in this office indicate that reimbursements to you to date amount to $1,747.98. Upon receipt of your check in full for that amount made payable to the Defense Minerals Exploration Administration the matter will be forwarded to the Washington office, DMEA, for their preparation of the termination document.

Very truly yours,

/s/ W. M. Traver

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

JWT:jp
cc Subject
Chron
Harshman) with
Shaw) copy
Williams) opr's
Townsend) ltr
Chairman, Op. Comm. (2) 3/17/55

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

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

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

Month of _____, 195 4 Docket No. DMEA 5044 Contract No. 10N-2655

Operator's Name FED Minerals URANIUM

Address URANIUM DEVELOPMENT CORP. BOX 307 GRANTS N. MEX.

Contract Amount, $ 4,640.00 Government Participation: 50 % Amount, $ 10,475.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing 2490 Ft.	$1,942.20	NONE	$1942.20			
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
NONE						
TOTALS	$1,942.20		$1942.20	1942.20		1942.20

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

Date FEB. 10, 1954 *Payee URANIUM DEVELOPMENT CORP.

Per Dean G. Williams Title (PRESIDENT)

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

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

(Instructions on reverse)

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

$1747.98

Signature _____ (Authorized Certifying Officer)

Date 3/19/54 Vou. No. DMA 54-91

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E-655 in accordance with the terms of the contract.

Signature R. R. McLellan 1,747.98 WMT Title Mining Engineer Date 3/12/54

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: R.D.B.

Signature W H King Title Executive Officer Date MAR 17 1954

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

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

Month of FEB. 1954 Docket No. DMEA 3044 Contract No. 10K-5655
Operator's Name URANIUM DEVELOPMENT CORP. Minerals URANIUM
Address BOX 387 GRANTS N. MEX.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger	FOOT	$1942.20	2490	$1942.20	2490	.78	2700	$2134.04
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		$11,640.72						TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								$11,640.72
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		$1942.20		$1942.20				$11,640.72

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

REMARKS: ON THE FIRST STAGE OF THIS CONTRACT THERE WAS A TOTAL OF 2490 FT. DRILLED AT A COST OF $.78 OR A TOTAL OF $1942.20.

Date FEB. 16, 1954 Operator URANIUM DEVELOPMENT CORP.

Per Ewing Williams Title PRESIDENT

EWING WILLIAMS

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

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

224 New Customhouse
Denver 2, Colorado

March 17, 1954.

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMEA Docket 3044 (Uranium), Contract Idm-E655, Uranium Development Corporation (UDC Nos. 1 - 4 claims), Valencia County, New Mexico. Operator's Monthly Progress Report for the period February 1954.

Enclosed are the original and four copies of Form MF-104 and MF-104A, Narrative Report, and Engineer's Report for the above period.

Work has been completed as authorized by the contract. No documentation is required for work performed under contracts prepared on Form MF-200A, therefore we recommend that payment be made for 90 per cent of the amount reported by the Operator on Form MF-104, contingent on your verification of arithmetical accuracy within the report.

Remarks:

Date of Report	February 16, 1954.
Date Received in Field Office	March 5, 1954.
Date Received in Region Office	March 16, 1954.

W. H. King

W. H. King

Enclosures

RDB:cwm

cc: Contract
Secretary to the Oper. Comm. (2)
WMTraver
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
March 15, 1954

Memorandum

To: Executive Officer, DMEA Field Team, Region IV

From: Chief, Mineral Resources Branch, Mining Division, Region IV

Subject: DMEA 3044, Contract Idm-E655 (Uranium), Uranium Development Corporation (UDC Nos. 1-4 claims), Valencia County, New Mexico--Progress report for February 1954

Transmitted herewith are the original and four copies of the subject progress report, the initial one--forms MF-104 and MF-104A, with narrative--and the original and six copies of Russell R. McLellan's memorandum covering his inspection of the rotary drilling and checking of the reporting forms. The contract is unit cost on short form MF-200(A) and documentation is not required.

McLellan confirms completion of Stage I by the drilling of 30 holes with one hole No. C-11 abandoned at 75 feet, and 2 holes, Nos. C-9 and E-7, omitted because of inaccessibility. This evidently is not contrary to the terms of the contract. There is no map with the contract that can be reproduced to submit with the engineer's memorandum, and the contractor failed to submit maps with his report. Consequently, both are incomplete. Subcontractor drill logs are not a requirement of the contract. Samples have been taken and are available when it is determined which, if any, should be assayed. Stage II cannot be authorized until radiometric logging is completed by the operator and checked by the Atomic Energy Commission. The entries and extensions on the reporting forms are correct, showing 2,490 feet of Stage I drilling completed out of a possible total of 2,706 feet at a charge of 78¢ a foot.

Payment is approved and certified on the MF-104 forms of $1,747.98, or 90 percent of the total $1,942.20 claimed by the contractor.

W. M. Traver

W. M. Traver

enclosures

WMT/kp

cc 4
E655
Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
March 12, 1954

Memorandum

To: Chief, Mineral Resources Branch, Mining Division, Region IV

From: Russell E. McLellan

Subject: DMEA 3044, Contract Ida-E655 (Uranium), Uranium Development Corporation (UDC Nos. 1-4 claims), Valencia County, New Mexico--Progress report for February 1954

The project was inspected on March 2, 1954, shortly after drilling had been completed on Stage I of the contract. Complete drilling information had not been compiled at that date nor had radiometric logging commenced. The company has obtained equipment for radiometric logging of the Stage I holes, the results of which will be checked with an Atomic Energy Commission logging unit. Recommendations for Stage II drilling will be withheld pending receipt of the results of the radiometric logging from the company and from the Atomic Energy Commission. W. A. Carlson of the Commission informed the writer that the Grants' logging unit was undergoing repairs during the first week of March and that there would be an additional several days' delay until about 7,000 feet of accumulated logging can be completed.

The Uranium Development Corporation completed 30 holes on 200-foot centers through the Todilto limestone. Hole No. C-11 was abandoned due to an excessive cover of dune sand, and map locations for hole Nos. C-9 and E-7 were found to be inaccessible in the field.

Mineralization was noted in the cuttings from hole Nos. D-5 and E-5, and previous drilling indicated mineralization in the vicinity of hole No. A-3. Radiometric logging will provide considerable additional information in determining the merit of individual holes.

Ewing Williams, president of the company, informed the writer that he would submit progress maps with the monthly report, but apparently he neglected to do so. It also is noted that driller's logs were not included with the report; however, since the usual requirements concerning driller's logs are not mentioned in this contract, it is assumed that receipt of the logs will not be necessary prior to approval of the work accomplished. The two sets of radiometric logs will verify the drillings completed under Stage I. Assay information from mineralized cuttings is not yet available.

Payment is recommended of $1,747.98, or 90 percent of the $1,942.20 claimed.

Russell R. McLellan
Russell R. McLellan
Mining Engineer

RRM/kp

cc ✓6
R655
Chron

NARRATIVE REPORT ON DRILLING BEING DONE ON URANIUM DEVELOPMNT CORPORATION NUMBER 1- 2-3-4

PRELIMINARY EXAMINATION SHOWING VERY GOOD IN HOLE D-5 ALSO SHOWING IN E-5 . LOGGING WILL BE DONE DRILLING CONTRACTOR HOW HAS OWN LOGGING UNIT.

HOLE C-11 ABANDONED DUE TO ABOUT 75 FT. BLOWSAND. HOLE B--8 DRILLED CUTTINGS CAUGHT FOR TOTAL DEPTH OF TRADELTA LIMESTONE, BUT A STRING OF DRILL STEM WAS LOST WHEN THE BIT BECAME STUCK WHILE PULLING THE HOLE ALSO SOME DRILL STEM LOST AND ABANDED IN LOCATION C-11.

CONTOUR LINES ON MAP NOT IN CORRECT LOCASION THEREFORE SOME OF THE LOCATIONS THAT WERE ELIMINATED BECAUSE OF TERRIN ARE REALLY ON ACCESSIBLE LOCATIONS THESE ARE C-9 AND E--7. WE ALSO FEEL THAT THE BEST PART OF THE PROPERTY WAS ELIMINATED IN THE 300 FT. ALONG THE WEST SIDE OF CLAIMS.

WE HAVE DRILLED PREVIOUSLY IN THE APPROX. LOCATION OF A-3 AND HAVE SUBSTANTIAL SHOWING THERE.

TREND IS IN PARALLEL ROLLS LYYING IN A NORTH SOUTH DIRECTION. THE GAY EAGLE MINE CUTS RUN FOR A KNOWN DISTANCE OF 900 FT. AND IS NEVER WIDER THAN 30 FT.

WE HAVE SOME RECOMMENDATIONS THAT LOOK WORKABLE, BUT WILL TAKE THEM UP WITH YOUR ENGINEER WHILE HE IS ON THE GROUND.

WE BELIEVE THAT WITH THE GOOD SHOWINGS WE HAVE THAT WE ARE CLOSE TO SOME GOOD ORE.

URANIUM DEVELOPMENT CORPORATION

BY Ewing Williams

EWING WILLIAMS (PRESIDENT)

JAN 2 1 ...

Mr. William G. Coffey
P. O. Box 84
Kenna, New Mexico

Re: DMEA-3044 (Uranium)
Uranium Development Corporation
U. D. C. Claims
Valencia County, New Mexico
Contract Idm-E655

Dear Mr. Coffey:

Thank you for returning the completed MME Form 63's mailed to you on January 9, 1964.

By the terms of the subject Exploration Project Contract and the royalty agreement in Item 4 of the Termination Agreement, dated September 7, 1955, all minerals mined or produced from January 8, 1954, to January 8, 1964, were subject to the Government's percentage royalty as set forth in said contract.

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

Sincerely yours,

George Fumich, Jr.

Acting Director

NMarrithew/mm
1/20/64
cc: Director's Reading File
Region III w/cy of Form 63 dated 1/9/64
CAAA Division
Docket
Code 500

Government's copy

TERMINATION AGREEMENT

It is agreed this 7th day of September, 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Uranium Development Corporation, hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-E655, Docket No. DMEA-3044, dated January 8, 1954, hereinafter called the "Contract," that:

1. Effective June 8, 1954, the Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

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

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

4. The Operator, 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 as if certification of discovery or development had been made, such certification being hereby waived.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O P Mitteudorf
Administrator, Defense Minerals
Exploration Administration

URANIUM DEVELOPMENT CORPORATION

By Jerry Williams President

attest Cyrus McKoney Secy

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

224 New Customhouse
Denver 2, Colorado

June 23, 1954

Uranium Development Corporation
P. O. Box 387
Grants, New Mexico

Re: Docket DMEA 3044 (Uranium)
Contract Idm-E655

Gentlemen:

Consistent with the stipulations contained in Exhibit "A" attached to Exploration Project Contract Form MF-200(A) (February 1952), caption "Description of the work", subheading "Stage II", you are hereby authorized to drill 49 offset holes on the U.D.C. No. 1, No. 2 and No. 4 claims, as shown on the attached map titled "Plan for Stage II Drilling on Uranium Development Corporation Claims, Valencia County, New Mexico".

All holes are to be drilled in conformance with specifications contained in Exhibit "A" pertaining thereto.

Nothing in this drilling authority shall be construed to increase the estimated total cost of the project, the amount of the Government's contribution, or any item of allowable cost which is expressly designated "allowable maximum".

Very truly yours,

W. H. King

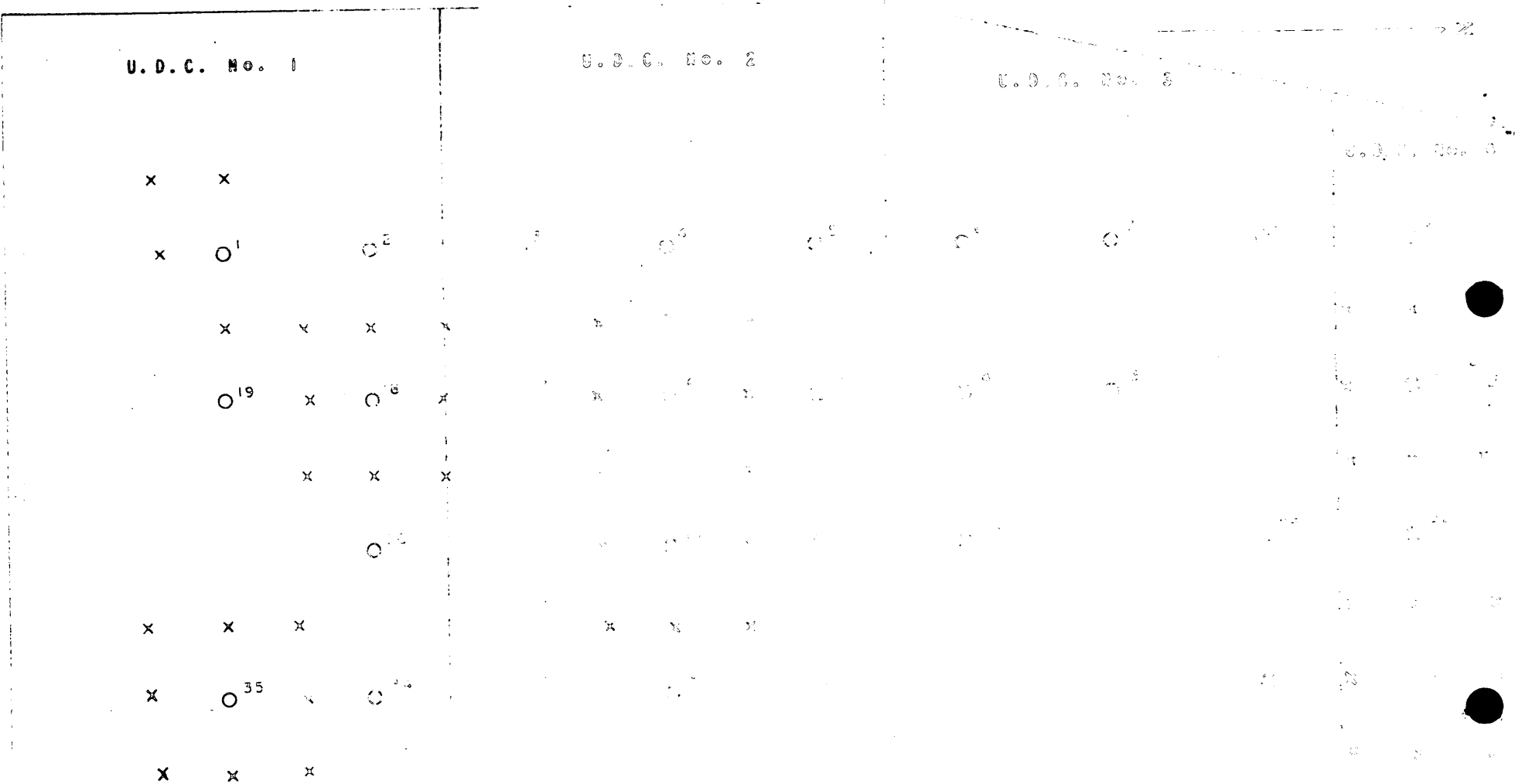
for A. H. Koschmann

DMEA Field Team, Region IV

JWT:jp
cc Contract
Amdt
Chron
COMittendorf (3)
WMTraver
WPWilliams
AHKoschmann
TAChristensen
JWTownsend

U. S. DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DEFENSE MINERALS EXPLORATION ADMINISTRATION
DOCKET 8033



EXPLANATION

○ Stage I hole [illegible]

× Recommended Stage [illegible]

PLAN FOR STAGE [illegible]

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Defense Minerals Exploration Administration
Denver Federal Center
Denver 2, Colorado

June 24, 1954

Memorandum

To: DMEA Field Team, Region IV

From: A. H. Koschmann

Subject: DMEA Docket 3044, Contract Ida-E655 (uranium), Uranium Development Corporation, Valencia County, New Mexico

Transmitted herewith are 11 copies of a memorandum report by J. D. Strobell Jr., U. S. Geological Survey, recommending exploration to be pursued under the second stage of the subject contract.

Mr. Strobell explains the difficulty of outlining the second stage exploration when he has been furnished little or no information on the results of the first stage exploration. He recommends 49 offset drill holes to explore possible ore bearing limestone in the area of completed drill holes 35, 22, 28, 12, 18, 16, and 1.

In the last 2 paragraphs of the memorandum Strobell outlines the data required for a geologic interpretation of the exploration program. The operator should be required to furnish these data immediately for all holes drilled under the contract and to include similar information in his monthly progress report as required under Paragraph 3 of the exploration contract.

E. M. Hausman
for A. H. Koschmann
Supervising Geologist
Colorado-Wyoming

Enclosures (11)

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
P.O. Box 360
GRAND JUNCTION, COLO.

June 21, 1954

Memorandum

To: A. H. Koschmann, Field Team, Region IV

From: W. P. Williams, Colorado Plateau District

Subject: DMEA 3044, contract Idm E-655, (uranium), Uranium Development Corp., (UDC claims 1-4), Valencia County, N. Mex.

Transmitted herewith are nine copies of a memorandum report prepared by J. D. Strobell, Jr., on the subject project. Strobell's report contains recommendations concerning Stage II of contract Idm E-655, of the contract in general; and the attached map shows the proposed locations of offset holes to be drilled in Stage II of the project.

WPWilliams

W. P. Williams
Geologist

Enclosures

WPW/mlr

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
P.O. BOX 360
GRAND JUNCTION, COLO.

June 21, 1954

MEMORANDUM

To: W. H. King and A. H. Koschmann, Field Team, Region IV

Through: R. P. Fischer RPF
District Supervisor

From: J. D. Strobell, Jr. JDS

Subject: DMEA 3044, contract Idm E-655, (uranium), Uranium Development Corp., (UDC claims 1-4), Valencia County, N. Mex.

Stage I exploration under the above contract has completed 32 drill-holes, spaced 200 feet apart. A map showing the locations of the holes that were to be drilled in the first stage of the work is attached (fig. 1). We are requested orally by the Field Team to recommend sites for Stage II offset holes. Under the terms of the contract, a maximum of 49 Stage II holes at 100-foot coordinate intersections are permitted with the prior written approval of the Field Team.

Logically, location of Stage II holes should depend upon the results of Stage I drilling. To date we have received in the way of results radiometric logs made by the Atomic Energy Commission, of 24 of the 32 holes drilled. In addition, R. R. McLellan, USBM, in his memo of May 21, 1954, reports the depths between which limestone cuttings were collected in each of the 32 holes drilled. We have no map showing the actual location of the holes drilled, no collar elevations of the holes drilled, neither lithologic nor driller's logs of the holes drilled, and no chemical or radiometric assays of limestone cuttings from the holes drilled.

Lacking this engineering and geologic information, recommendations for Stage II drilling must necessarily be based solely upon the AEC's interpretation of their radiometric logging, and no comparison can be made between that interpretation and a geologic interpretation, in an attempt to evaluate the results of the radiometric logging.

In interpreting radiometric logs of holes spaced 200 feet apart, as in this project, AEC uses the maximum radioactivity recorded in each hole as a basis for comparing the holes with each other. Radioactivity of about 1500 counts per second on their instrument is considered by AEC to represent material of about 0.10 per cent U_3O_8 in the limestone of the Grants district. AEC has ranked the holes as follows, according to the peak radioactivity encountered.

Hole No.	Peak Counts per second	Logged Depth of Peak	Total Depth Logged	Depth of Limestone Sampled
35	1920	67'	100'	80-100'
22	570	36	66	50- 66
28	360	66	76½	71- 77
12	282	57½	58	43- 58
18	279	77	85½	67- 85
16	276	47½	55	39- 55
1	275	57	91	71- 91
34	267	94	99	82-100
24	240	46	86	69- 85
20	240	57½	85	66- 86
19	225	74½	103	83-103
3	201	57½	66	54- 66
4	165	50	62	42- 60
17	120	65½	73	47- 73
8	partly caved		68	60- 76
26	partly caved		58	55- 81
7	partly caved		35	53- 65
2	barren		83	64- 82
6	barren		58½	43- 55
9	barren		53½	40- 56
13	barren		86	68- 94
14	barren		72½	57- 73
15	barren		71½	51- 71
32	barren		70	54- 70

Holes 5, 20, 21, 23, 27, 31, and 33 were not accessible to the logging vehicle. Starting with offset holes around the "hottest" primary hole and proceeding down the list, 8 offsets on 100-foot grid intersections should be drilled as permitted by the limit of 49 holes placed upon Stage II drilling:

Hole 35	8	offsets
22	8	
28	8	
12	8	
18	8	
16	5	(3 in common with hole 22)
1	4	(1 in common with hole 18)
	49	

The location of these Stage II offset holes is shown in figure 1.

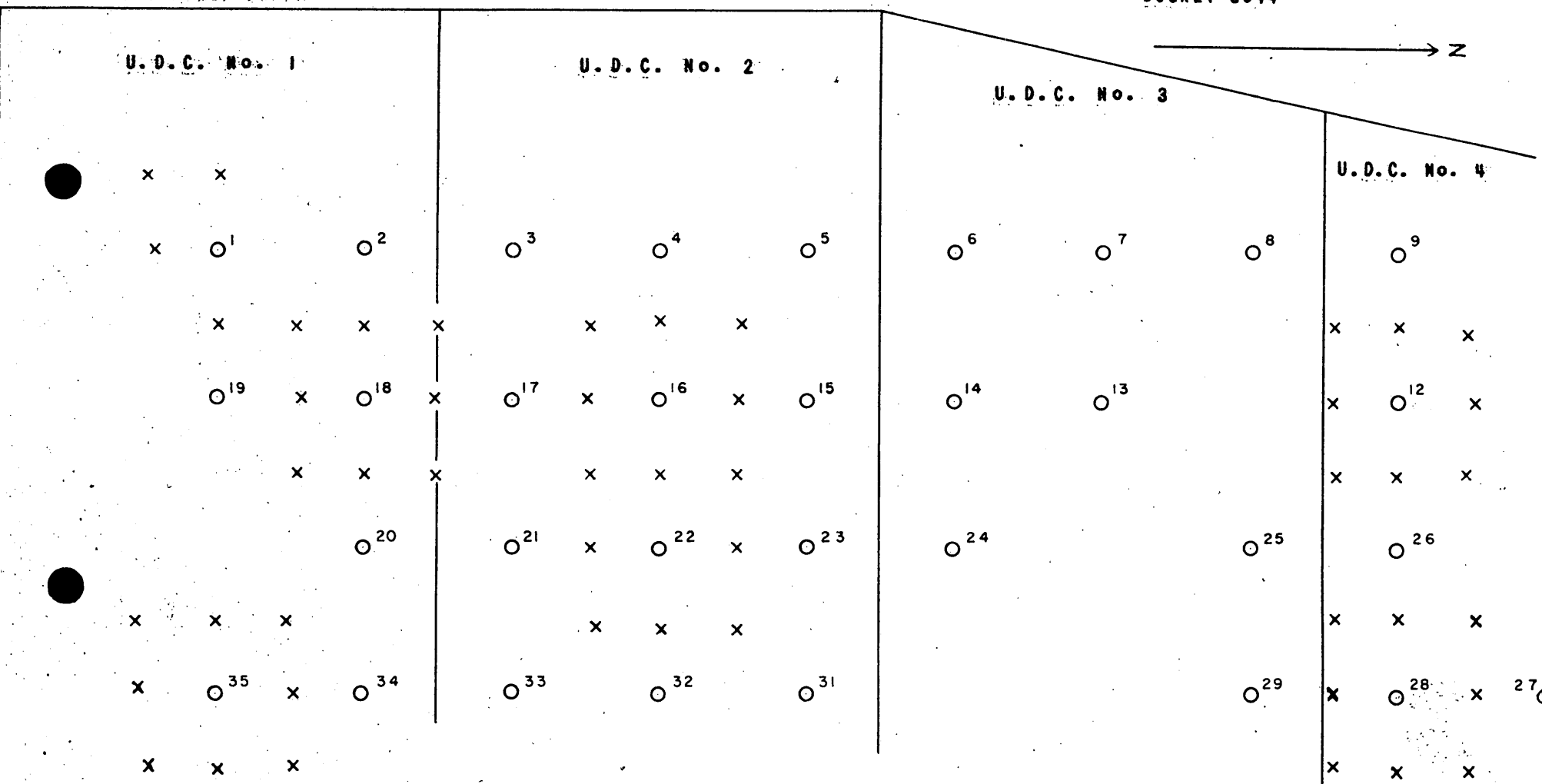
With respect to holes 28 and 12, the north tier of offsets would appear to be quite deep judging from the structure contour map submitted originally by the applicant. Inasmuch as hole 28 proved to be 19 feet shallower than predicted, hole 12, 26-feet shallower, and hole 27, 49-feet shallower, it seems feasible to drill these northern offsets and thus more adequately test the ground adjacent to primary holes 28 and 12.

In view of the performance obtained so far on this contract, it seems desirable explicitly to require the operator to: (1) survey accurately the actual hole locations and elevations and provide a map showing them in his monthly report of progress; (2) furnish driller's and lithologic logs of the holes drilled in his monthly report; (3) report assay returns in his monthly report; (4) do sufficient work on drill-site roads to permit access to every hole by AEC's radiometric logging unit. Copies of the reports should be furnished us if we are to be responsible for geologic interpretation and recommendations.

I believe the operator should be required to complete the survey of Stage I holes and arrange to have AEC complete the radiometric logging of them while the initial Stage II drilling is done. It might be entirely justified under Article 5 of the contract to withhold approval of Stage II drilling until the survey, driller's logs, assay returns, and radiometric logging are completed. The objective of the drilling is to gain information; that information is at present largely lacking.

U.S. DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DEFENSE MINERALS EXPLORATION ADMINISTRATION
DOCKET 3044



EXPLANATION

○4 Stage I hole drilled

× Recommended Stage II offset hole

200 0 400 FEET

PLAN FOR STAGE II DRILLING ON URANIUM DEVELOPMENT CORPORATION CLAIMS
VALENCIA COUNTY, NEW MEXICO

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
May 25, 1954

Memorandum

To: Executive Officer, DMEA Field Team, Region IV

From: Chief, Mineral Resources Branch, Mining Division, Region IV

Subject: DMEA 3044, contract Idm-E655 (Uranium) Uranium Development Corporation (U.D.C. Nos. 1-4 claims), Valencia County, New Mexico

Enclosed are the original and seven copies of Russell R. McLellan's memorandum recommending 49 holes for Stage II drilling on the subject contract.

The recommendation is made after consultation with Geological Survey personnel in Grand Junction and we are including two copies of W. P. Williams' memorandum of which you already have a copy. We have a copy of Atomic Energy Commission radiometric logs if you have need for them in making up your amendment.

W. M. Traver

W. M. Traver

enclosures

cc /7
WPWilliams
E655
DMEA Chron.

WMT/pr m

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
May 21, 1954

Memorandum

To: Chief, Mineral Resources Branch, Mining Division, Region IV

From: Russell R. McLellan

Subject: DMEA 3044, contract Idm-E655 (Uranium), Uranium Development Corporation (U.D.C. Nos. 1-4 claims), Valencia County, New Mexico

Upon receipt of the radiometric logs and the iso-rad map prepared by W. P. Williams of the Geological Survey, in connection with Stage I drilling on the subject contract, all splits obtained from samples of limestone cuttings from Stage I holes were checked with a scintillator. No trace of radioactivity was noted in any of the samples; therefore, it is doubtful that chemical or radiometric assays of the splits would be of any value in determining the true merit of the holes. Although W. P. Williams has pointed out in his letter of May 17, 1954, that the gamma-ray logs provided by the Atomic Energy Commission may be misleading due to a lack of information concerning the conditions under which the logging was done, it may be necessary, nevertheless, to set up the Stage II drilling entirely on the results of the logging.

In plotting the limestone on each gamma-ray log, it becomes obvious that the position of the highest peak in counts per minute in many of the holes is above the limestone. The depth and thickness of the limestone encountered in each hole was obtained by checking in the field each sample of the cuttings collected at intervals of 2 feet throughout the ore horizon. Drillers' logs have been requested from the company but as yet have not been received. The drillers' logs will be of value in checking the sample depths as well as the thickness and depth of the limestone. As shown by Williams on the iso-rad map, a "high" apparently exists in the east portion of the U.D.C. claim No. 1 and possibly extending into the east-central portion of U.D.C. claim No. 2. Five of the eight more favorable holes in this area have a peak count in a zone above the limestone. This may or may not be indicative of an upper radioactive horizon. The highest peak count of 1,920 was obtained about 12 feet above the limestone in hole 35.

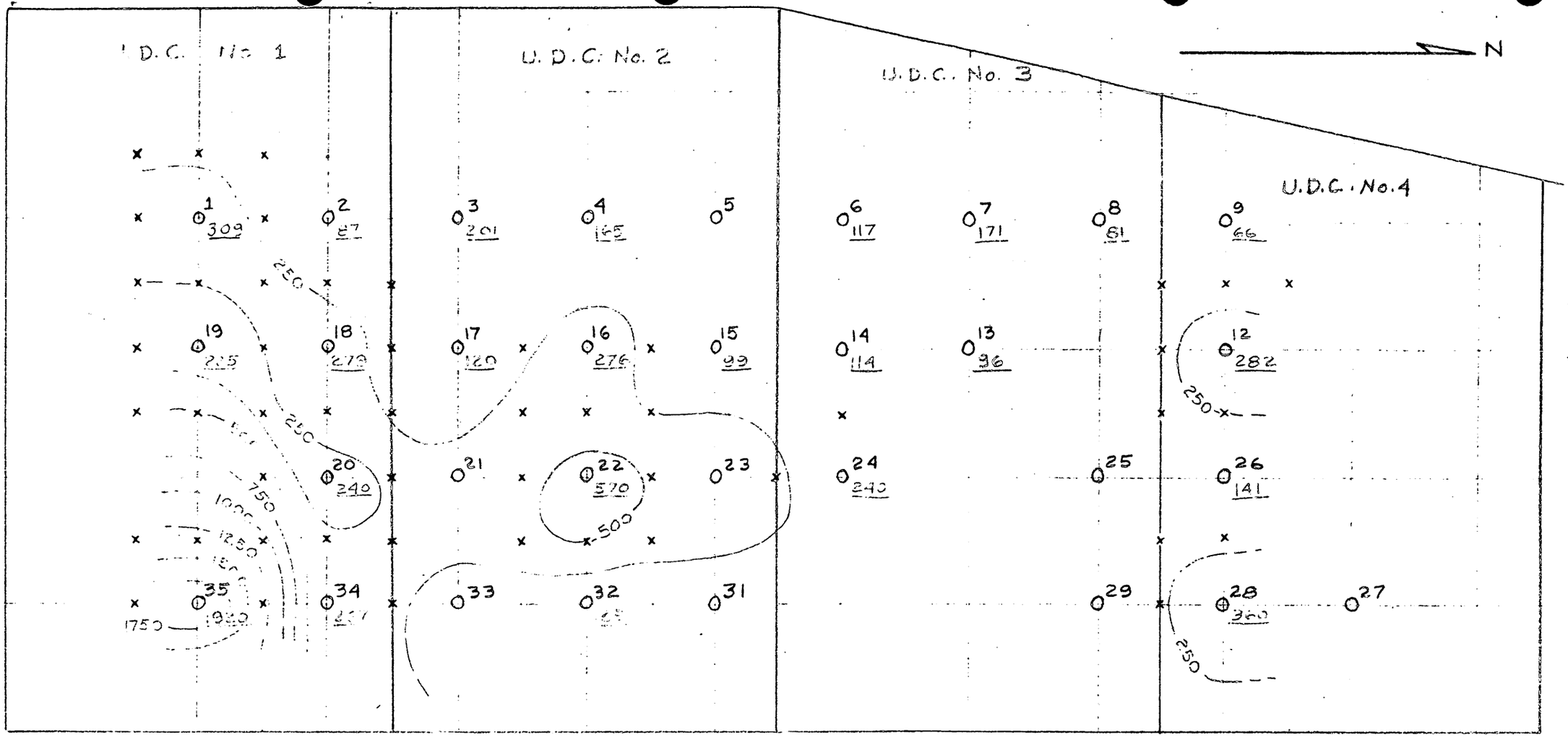
Following is a comparison of the depth of the highest peak in counts per second obtained on the gamma-ray logs of the more favorable holes

as compared with the depth and thickness of the limestone encountered during actual drilling:

Hole No.	Peak count per second	Depth of peak count	Depth of limestone	Distance of peak count above limestone
*1	309	58 feet	71 to 91 feet	13 feet
2	Unfavorable		64 to 82 feet	
3	231	58 feet	54 to 66 feet	
4	165	50 feet	42 to 60 feet	
5	Not logged		40 to 58 feet	
6	Unfavorable		43 to 55 feet	
7	Caved		53 to 65 feet	
8	Unfavorable		60 to 76 feet	
9	Unfavorable		40 to 56 feet	
12	282	58 feet	43 to 58 feet	
13	Unfavorable		68 to 94 feet	
14	Unfavorable		57 to 73 feet	
15	Unfavorable		51 to 71 feet	
16	276	48 feet	39 to 55 feet	
17	Unfavorable		47 to 73 feet	
18	279	78 feet	67 to 85 feet	
*19	225	74 feet	83 to 103 feet	9 feet
*20	240	58 feet	66 to 86 feet	8 feet
21	Not logged		66 to 88 feet	
*22	570	37 feet	50 to 66 feet	13 feet
23	Not logged		41 to 61 feet	
*24	240	47 feet	69 to 85 feet	22 feet
25	Not logged		67 to 89 feet	
26	Partially caved		55 to 81 feet	
27	Not logged		38 to 52 feet	
*28	360	65 feet	71 to 77 feet	6 feet
29	Not logged		88 to 106 feet	
31	Not logged		71 to 91 feet	
32	Unfavorable		54 to 70 feet	
33	Not logged		78 to 108 feet	
34	267	94 feet	82 to 100 feet	
*35	1,920	68 feet	80 to 100 feet	12 feet

The above holes which are asterisked show peak counts at positions above the upper contact of the limestone. It should be noted that of the 13 more favorable holes the highest peak count occurs above the limestone in 7 of the holes, including hole 35 which possibly contains ore grade material. Since a scintillator check of splits of the limestone cuttings from these holes showed no indication of radioactivity, the possibility of an upper ore horizon should be considered.

Since the samples of cuttings apparently will be of little or no value in determining the U_3O_8 content of the holes, the writer is



LEGEND

O² DRILL HOLE COMPLETED - STAGE I

× DRILL HOLE PROPOSED - STAGE II.

135 COUNTS PER SECOND

ISORAD CONTOUR

CONTOUR INTERVAL - 250 C.P.S.

SCALE - 1 IN. = 200 FT.

BASE MAP BY U.D.C. CORP.

RADIOMETRIC LOGGING BY A.E.C.

ISORAD CONTOURING BY U.S.G.S.

MINERAL RESOURCES BRANCH
MINING DIVISION - REGION IV
BUREAU OF MINES

Iso-rad map showing proposed holes for Stage II drilling, Uranium Development Corp., U.D.C. Claims, Valencia County, N.M., DMEA 3044, Contract Idm-E655

submitting tentative locations of 49 holes to be drilled under Stage II based upon the somewhat indefinite results of the gamma-ray logging. The locations are indicated on the attached iso-rad map prepared by Williams. Assuming an average depth of 82 feet per hole, the maximum allowable footage will be utilized. It should be noted that the ground north of holes 12 and 28 is covered by excessive depths of dune sand thus eliminating the possibility of offset drilling in that direction.

It is believed by the writer that Stage I of the program has accomplished little more than to establish the presence of the limestone and the presence of one or two possibly favorable areas. Therefore, considering the type of deposit in this area, as much footage as possible should be utilized to more adequately explore the claims particularly in the slightly more favorable areas as indicated by the iso-rad map.

Unless a major change is made in the contract to allow for the cost of preventing dilution of samples, the use of gamma-ray logging again will be vitally important to more fully establish the value of each hole drilled in Stage II.

R. L. Bolmer
for Russell R. McLellan
Mining Engineer

Attachment

cc /7
WPWilliams
DMEA Chron.
E655

RRM/pam

Docket No. 3044

Commodity Uranium

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

Contract No. Idm-E 655

Date of Contract ~~or Amendment~~: January 8, 1954

Name and Address of Operator:

Uranium Development Corporation
Box 397
Grants, N. M.

Amount of Government participation $10,476.65

Percent of Government participation 90 %

Region: III State: New Mexico

Note: Please release $8,728.67. Contract terminated.

C. E. F.
(Name)

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

Date Delivered to Bureau of Mines, Washington. 12/13/55

54458

Docket No. DMEA 3044

Commodity Uranium

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

Contract No. Idm-R 655

Date of Contract ~~or Amendment~~: January 8, 1954

Name and Address of Operator:

Uranium Development Corporation
Box 387
Grants, N. M.

Amount of Government participation $ 10,476.65

Percent of Government participation 90 %

Region: IV State: N. M.

(Name)

J. L. Chambers,
Chief, Contract Administration and Audit Division

(Title)

Date Delivered to Bureau of Mines, Washington 1/11/54

13808

MF-200 (A)
(February 1952)

DOCKET NO. DM[illegible] 3044

COMMODITY Uranium

Idm-E655

JAN 18 1954

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

EXPLORATION PROJECT CONTRACT[1]
(Short Form)

IT IS AGREED this 8th day of January, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Uranium Development Corporation, Incorporated in New Mexico
Box 387
Grants, New Mexico

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

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of New Mexico, County of Valencia, described as follows:[3]

Claim	Book	Page	
UDC No. 1	A-5	88	Four unpatented claims recorded in the County Recorders Office at Los Lunas, County seat of Valencia County
UDC No. 2	A-5	89	
UDC No. 3	A-5	86	
UDC No. 4	A-5	89	

the Operator represents and undertakes:

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

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

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

ARTICLE 3. *Exploration project.*—The Operator, within sixty (60) days from the date of this contract shall commence work on a project of exploration for[5] Uranium

in or upon the described land; and shall bring the project to completion within a period of five (5) months from the date of this contract. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided. The work shall be performed by the Operator or by independent contractor or contractors efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmen's compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 4. *Costs of the project.*—The agreed, estimated costs of performing the work, expressed in terms of units of work to be performed (per foot of drifting, per foot of drilling, per cubic yard of material to be moved, etc.) are set forth in Exhibit "A," attached hereto. The Government will pay ninety (90) percent of these agreed, estimated costs, as they accrue, for units of work actually performed that conform with the description or specifications for the work set forth in this contract, in an aggregate total amount not in excess of $10,476.65, which is ninety (90) percent of $11,640.72, the agreed, estimated total cost of the project in which the Government will participate: *Provided,* That until the Operator's final report and final accounting have been rendered to the Government and any final check or auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract. The Government may, as it sees fit, make payments direct to the Operator's independent contractors, if any, for the account of the Operator, rather than to the Operator.

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

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

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

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

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

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

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

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

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

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

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

(*d*) This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

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

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

ARTICLE 9. *Changes and added provisions* _____

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

URANIUM DEVELOPMENT CORP.
(Operator)

By Ewing Williams (President)

By W H King
Executive Officer, DMEA
Field Team, Region IV

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

Cyrus M Rouse

[CORPORATE SEAL]

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

DEPARTMENT OF THE INTERIOR
Lease Minerals Administration
JAN 18 1954

ANNEX I

The following provisions are in lieu of all of paragraph (a) of Article 6 which precedes the colon:

If the Government considers that a discovery or development from which production may be made has resulted from the exploration work, the Government, at any time not later than six months after a sufficient, complete, final report and final account referred to in the contract has been rendered, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development. The Operator, or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land described in Article 2, 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 of discovery or development, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first, unless the Government waives its right to a royalty; or (2) if the Government makes a certification of discovery or development, for a period of ten years from the date of the contract, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production (including any bonuses), in whatever form disposed of, including ore, concentrates, or metal, as follows:

DMEA 3044

EXHIBIT "A"

Description of the Work

The work consists of a maximum of 14,924 feet of drilling to be accomplished in four stages. At the end of each stage the results of the previous stage will be reviewed by the DMEA representatives. The Field Team must give their written consent before the next succeeding stage of the work may be started.

The drilling will be done dry with a rotary rig with holes approximately four inches in diameter. No holes will be drilled closer than fifty-foot centers and no holes will be drilled less than one-hundred feet from the property boundaries. All holes are to be bottomed two feet below the bottom of the Todilto Limestone, which is the ore horizon, to permit probing the holes with the scintillometer.

The number of holes and the authorized footage in all stages is based on the estimate that the holes will average 82 feet in depth. If there is insufficient unexpended footage to permit completion of a hole to the stipulated depth, in any stage, the hole will not be drilled.

In the drilling of all holes, in each stage, samples will be collected, split and sacked in 2-foot runs through the complete thickness of the Todilite Limestone only. One-half to be retained for the use and disposal of the DMEA representative.

Stage 1

Drill a maximum of 33 primary holes at locations shown on Figure 2, which is attached and made a part of Exhibit "A".

Stage 2

This stage provides for drilling a maximum of 49 offset holes at 100-foot coordinates at locations to be determined at the end of Stage 1. The location and depth of all holes must have the prior written approval of the Field Team.

Stage 3

This stage provides for drilling a maximum of 60 additional primary holes in areas and at locations to be determined at the end of Stage 2. The location and depth of all holes must have the prior written approval of the Field Team.

Stage 4

This stage provides for drilling a maximum of 40 additional offset holes, the exact locations to be determined at the end of Stage 3. The location and depth of all holes must have the prior written approval of the Field Team.

DMEA 3044

Estimated Costs of the Project

Stage 1		
	33 primary holes - 2706 feet at 78¢ per foot	$ 2,110.68
Stage 2		
	49 offset holes - 4018 feet at 78¢ per foot	3,134.04
Stage 3		
	60 primary holes - 4920 feet at 78¢ per foot	3,837.60
Stage 4		
	40 offset holes - 3280 feet at 78¢ per foot	2,558.40
	Total	$ 11,640.72
	Government participation at 90%	$ 10,476.65

These costs include supervision, engineering, chemical assaying, and all miscellaneous expenses involved in the completion of the work.

DEPARTMENT OF ... Defense Mine... Administration
JAN 18 1954

MF-203
(Revised July 1, 1953)

OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of New Mexico, County of Valencia, described as follows:1/ Four unpatented claims recorded in the official records of said County.

Claim	Book	Page
U D C No. 1	A-5	88
U D C No. 2	A-5	89
U D C No. 3	A-5	86
U D C No. 4	A-5	89

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

2/ Uranium Development Corporation, Incorporated in New Mexico
Box 387
Grants, New Mexico

hereinafter called the "Operator"; and

WHEREAS, under the provisions of said contract the Government is entitled to a percentage royalty on production (as set forth on the reverse side hereof) and to other rights and equities which do or may conflict with or be adverse to the rights of the undersigned:

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

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

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

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

4. Changes and added provisions _____

Dated this _____ day of _____, 195___.

H C. Elkins [Seal]

Bertha D. Elkins [Seal]

_____ [Seal]

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

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

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

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

b. Percentage royalty.--The Operator, or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land described in Article 2,--(1) regardless of any certification of discovery or development, from the date of the contract until the lapse of the time within which the Government may make such certification of discovery or development, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first, unless the Government waives its right to a royalty; or (2) if the Government makes a certification of discovery or development, for a period of ten years (or other period fixed by the contract) from the date of the contract, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, as follows:

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

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

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

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

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

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

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

MF-203
(Revised July 1, 1953)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 18 1954

OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of New Mexico, County of Valencia, described as follows:1/ **Four unpatented claims recorded in the official records of said County.**

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

2/ **Uranium Development Corporation, Incorporated in New Mexico.**

Box 387

Grants, New Mexico

hereinafter called the "Operator"; and

WHEREAS, under the provisions of said contract the Government is entitled to a percentage royalty on production (as set forth on the reverse side hereof) and to other rights and equities which do or may conflict with or be adverse to the rights of the undersigned:

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

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

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

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

4. Changes and added provisions _____

Dated this 28 day of October, 1953.

William D. Copley [Seal]

_____ [Seal]

_____ [Seal]

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

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

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

RELEVANT CONTRACT PROVISIONS

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

b. Percentage royalty.--The Operator, or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land described in Article 2,--(1) regardless of any certification of discovery or development, from the date of the contract until the lapse of the time within which the Government may make such certification of discovery or development, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first, unless the Government waives its right to a royalty; or (2) if the Government makes a certification of discovery or development, for a period of ten years (or other period fixed by the contract) from the date of the contract, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, as follows:

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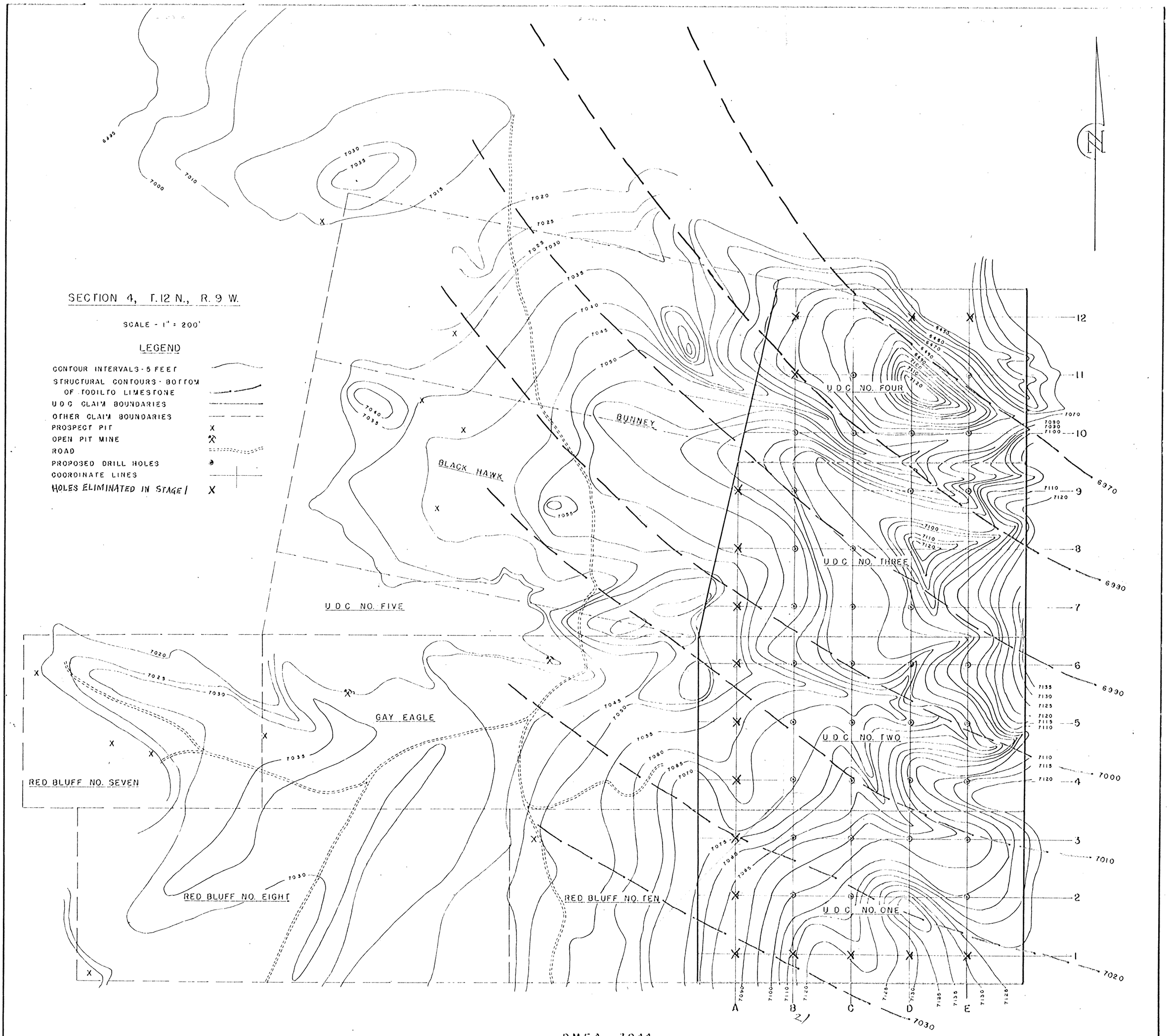
f. No Obligation to Produce.--This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

State of New Mexico
County of Valencia

Subscribed to and sworn before me this 28 day of October, 1953.

Barbara Pegan
Notary public

My commission expires Oct. 19, 1955



DMEA 3044

FIGURE 2. - PLAN OF PROPOSED DRILLING - U D C CLAIMS - URANIUM DEVELOPMENT CORPORATION
GRANTS MINING DISTRICT VALENCIA COUNTY, NEW MEXICO