J. H. East, Jr
Region IV

REGIONAL DIRECTOR'S
OFFICE
REGION IV
MAY 9 - 1951
BUREAU OF MINES
DENVER, COLORADO

May 4, 1951

Mr. Ben H. Simpson, President
Morningside Development Company
Box 84
Ouray, Colorado

Dear Mr. Simpson:

Your application (DMA-1051), on behalf of the Morningside Development Company, has been reviewed by the Lead-Zinc Branch of the Defense Minerals Administration.

At the present time Government aid to the mining industry may take one of the following forms:

(1) Direct loan which is obtained from the Reconstruction Finance Corporation upon certification by the Defense Minerals Administration.

(2) Procurement contract which guarantees to the producer the current market price, based on smelter settlement, for the zinc and lead content of his ore until any investment he has made to bring the property into production has been recovered.

(3) Exploration loan which is granted on a participating basis. In the case of zinc, lead, and copper deposits it is necessary for the applicant to pay 50% of the total cost of the project in cash, rental of equipment owned by him, or similar contributions. Detailed information is given in the enclosed forms.

(4) Tax amortization which must be certified by the Defense Minerals Administration.

Monies obtained by a direct loan or exploration loan cannot be used to retire or repay any previously incurred obligations nor, in the case of an exploration loan, can credit be given for work completed previous to the date of the contract.

To obtain a direct loan or procurement contract the applicant must show that his property contains sufficient proven reserves of satisfactory grade of strategic metals. No information was submitted

with your application to indicate proven reserves, but if you can supply a report giving evidence of the reserves on your property, we will be glad to consider it.

A part of your request is for diamond drilling which would be considered under the exploration program. If you wish to participate, please fill out and return the enclosed application and technical data forms.

Very truly yours,

[illegible]

JIT. HARRES, Chief
Lead-Zinc Branch

Enclosures
EJLyons:emp
Copies to: J. H. East, Jr. Region IV (2)
Chief, Lead-Zinc Br.
E. T. McKnight 4204 GSA
L. B. Moon
R. H. Mote
L. F. Strobel
T Lyon
Files

REGIONAL DIRECTOR'S OFFICE
REGION IV
AUG 10 1951
BUREAU OF MINES
DENVER, COLORADO

AUG 7 1951

~~August 6, 1951~~

Re: DMA-1051

Mr. Ben H. Simpson
Morningside Development Company
Box 86
Curry, Colorado

Dear Mr. Simpson:

Your letter of May 30 to Otto Herres, concerning your previously submitted request for Federal aid in developing your property, contains a request for a procurement contract guaranteeing the present market price on lead produced from your operation.

Procurement contracts are negotiated by the General Services Administration upon recommendation of Defense Minerals Administration. Recent interpretation has been that as they constitute a financial liability on the Government for which monies have to be set aside, they can be considered for only the more strategic materials that could not otherwise be brought into production. Proven reserves are a necessary requirement, as stated in Mr. Herres' letter of May 4 to you. Perhaps a large proven reserve of lead that could not otherwise be brought into production might be considered for a procurement contract, but we are unable to get approval of procurement contracts that simply insure the present market price for the average operator who would like to insure his investment. As you have not established a large proven reserve whose development would be significant in the national lead picture, I regret that we are unable to recommend a procurement contract for your operation.

We wish to thank you for calling this operation to our attention.

Very truly yours,

Tom Lyon

Tom Lyon, Director
Supply Division

ETMcKnight:emp
G 8-2-51

Copies to: J. H. East, Jr. Region IV (2)
Chief, Lead-Zinc Br.
E. T. McKnight 4204 GSA
R. H. Mote
Reports & Records
Directors r. file 4214 GSA
Br. Files 4214 GSA
Files

LC-CM

FWD 8-17-51

MR. J. H. EAST, JR.
U.S. GEOLOGICAL SURVEY REGION IV
224 NEW CUSTOMHOUSE BUILDING
DENVER 2, COLORADO

REGIONAL DIRECTOR'S OFFICE
REGION IV
AUG 10 1951
BUREAU OF MINES
DENVER, COLORADO
AUG 1951

DMA

Memorandum

Re: DMA-1051
Horningside Development Co.
Purchase contract
Lead

To: Reports and Records Unit
Administrative Management Div.

From: Chief, Lead-Zinc Branch

Subject: Denial of Purchase Contract

The original application was a request for a straight mining loan. As the applicant has no proven or indicated reserves he was notified on May 4 that he would not be eligible for a straight mining loan but might qualify for an exploration loan. As his company is not able to finance an exploration program, a letter from the president of the company on May 30 requested that the application be changed to a procurement contract.

The operation is a small stripping operation and the company is unable to estimate any ore reserves until the project is further advanced. It is therefore recommended that the application be denied and that the attached letter be sent to the applicant.

Returned herewith are: 2 copies of the original application on Form NSRB-146 and applicant's letter of May 30.

T. P. Billings, Chief
Lead-Zinc Branch

Approved: Tom Lyon

Director, Supply Division

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G 8-2-51
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RHM

8-7-51