OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

APR 6 1959
O.M.E

AUDIT CERTIFICATE

I have examined the records and transactions of:

International Engineering and Mining Company
622 Anacapa Street
P. O. Box 278
Santa Barbara, California

pertaining to Exploration Project Contract No. Idm-E1123, Docket No. DMEA-4641, dated August 21, 1957, including Amendment Nos. 1 and 2, covering a project for the exploration of mercury, on property known as the Axehandle Mine, located in Jefferson County, Oregon, for the months of May, June, and July 1958.

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		$13,050.12
Exceptions (See Audit Report for details)		
Prior to this audit	-0-	
During this audit	4,699.62	4,699.62
Total Accepted Cost		$8,350.50

The contract calls for a 75 percent participation of exploration expense by the United States Government. Therefore, payment to the contractor by the Government in the amount of Six Thousand Two Hundred Sixty Two and 88/100 Dollars, is valid and proper.

Amount payable to Operator	$6,262.88
Amount reimbursed	-0-
Balance due Operator	$6,262.88

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

George Mayer
George Mayer, OME Auditor

April 2, 1959

AUDIT REPORT

I. INTRODUCTION

On March 25 and 26, 1959, a final audit (covering operations for the months of May, June, and July 1958) was made of the records and transactions pertaining to Exploration Project Contract No. Idm-M1123, Docket No. DMEA-4641, dated August 21, 1957, including Amendment Nos. 1 and 2, with the:

International Engineering and Mining Company
622 Anacapa Street
P. O. Box 278
Santa Barbara, California

covering a project for the exploration of mercury, on property known as the Axehandle Mine, located in Jefferson County, Oregon.

The Operator had a verbal agreement with Mr. John D. Hoffmann to represent them in all activities of the contract, which covered the supervision of the project and maintenance of accounting records pertaining to the cost of the contract. Mr. Hoffmann maintained his office at 520 Santa Barbara Avenue, San Luis Obispo, California and it was in his office that this audit was performed.

During the course of the audit, Mr. John D. Hoffmann, was consulted as required and his cooperation and assistance greatly facilitated the audit.

II GENERAL INFORMATION ON RECORDS

The Operator's Monthly Report and Voucher, Forms MF-104 and MF-104-A, were prepared by Mr. Hoffmann and all invoices were billed to Mr. Hoffmann and paid by him and the checks were drawn on his own bank account maintained in the Bank of America, San Luis Obispo, California. Work sheets maintained by Mr. Hoffmann, covering the cost of the project were examined during the course of the audit. Due to a misunderstanding covering the preparation of Forms MF-104 and 104A, Mr. Hoffmann showed the total cost of the project as $13,050.12, which included $4,699.62 of unallowable costs, and after discussing these costs with Mr. Hoffmann it was agreed that he would accept the allowable costs amounting to $8,350.50 as shown in this audit report, however in a letter dated March 25, 1959, from Mr. John D. Hoffmann to Mr. A. E. Weissenborn, Executive Officer, OME Field Team, Spokane, Washington, Mr. Hoffmann stated that by accepting the final costs of this audit in amount of $8,350.50, he still reserved the right to re-open his claim, should he find some constructive information in his favor pertaining to the 262 feet of churn drilling disallowed by the Field Team.

Mr. Hoffmann had attached to his final MF-104 and 104A for the month of July 1958, a statement of his account with the International Engineering and Mining Company which showed the amount due him as follows:

Total Costs (detailed)	$15,131.02
Plus 10% Overhead	1,513.10
	$16,644.12
Plus 10% Profit	1,664.41
Total	$18,308.53

Mr. Hoffmann furnished 5 additional copies of this statement, certifying on each copy that it was true and correct. These 5 statements will be affixed to the original and 4 copies of the MF-104 and 104A in the Spokane Office. This signed certificate was not on the copies of the statement previously submitted, and the statement was not considered as part of this audit, as it was submitted by Mr. Hoffmann for information purposes only.

III SCOPE OF AUDIT AND FINDINGS

The audit consisted of a complete analysis of all expenditures, in order to ascertain 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 July 1958. The extent of the audit and the findings under each of the "Items of Cost" follows:

(1) Independent Contracts $6,116.10

All charges under this category were verified to copies of churn drilling invoices, drilling reports, bulldozing invoices, cancelled bank checks and contract terms. The costs covering Independent contracts are accounted for as follows:

	Claimed	Disallowed	Allowable
Churn Drilling	$ 5,520.00	$ 903.90	$4,616.10
Bulldozing	4,598.12	3,098.12	1,500.00
Totals	$10,118.12	$4,002.02	$6,116.10

Churn Drilling

The contract allowed 1600 feet of churn drilling at $3.45 per foot, at a maximum cost of $5,520.00 and the Operator entered into an agreement dated June 18, 1957 with Bert Abrams, Madras, Oregon to perform the 1600 feet of churn drilling at $3.45 per foot for a total cost of $5,520.00. The holes drilled by the Operator are as follows:

New Strike F-15-B and No. 2 Shaft Area

Hole No.	Claimed	Allowed
5	102 ft.	None
6	125 ft.	125 ft.
7	125 ft.	125 ft.
8	125 ft.	125 ft.
9	60 ft.	None
10	125 ft.	125 ft.
11	150 ft.	125 ft.
12	125 ft.	125 ft.
Totals	937 ft.	750 ft.

No. 1 Shaft Area

Hole No.	Claimed	Allowed
1	75 ft.	75 ft.
2	150 ft.	150 ft.
15	138 ft.	138 ft.
Totals	363 ft.	363 ft.

Dead End Shaft Area

Hole No.	Claimed	Allowed
3	75 ft.	75 ft.
13	75 ft.	75 ft.
14	150 ft.	75 ft.
Totals	300 ft.	225 ft.

	Claimed	Allowed
Totals--All Holes	1600 ft.	1338 ft.

The total churn drilling footage disallowed was 262 feet at $3.45 per foot, amounting to $903.90. The 262 feet of churn drilling disallowed can be identified as follows:

New Strike P-15-B and No. 2 Shaft Area

Hole No.	Claimed	Allowed
5	102 ft.	None
9	60 ft.	None
11	150 ft.	125 ft.
Totals	312 ft.	125 ft.

Dead End Shaft Area

Hole No.	Claimed	Allowed
14	150 ft.	75 ft.
Totals - All Holes	462 ft.	200 ft.

Net Disallowance 262 feet

In the New Strike P-15-15 and No. 2 Shaft Area the contract called for drilling 6 holes at a maximum depth of 125 feet. The Operator drilled 8 holes and holes No. 5 and No. 9 were disallowed, and hole No. 11 exceeded the maximum allowable depth by 25 feet.

In the Dead End Shaft Area the contract allowed a maximum depth of 75 feet for each hole, and hole No. 14 exceeded the maximum depth by 75 feet.

The 262 feet disallowed was in conformity with Field Team reports.

Bulldozing

The contract showed an estimate for bulldozing of 100 hours at $15.00 per hour or a total estimated cost of $1,500.00. The work to be performed by a D-8 Bulldozer or equivalent. The Operator was unable to rent a bulldozer in the area and it was necessary to rent a TD-18 bulldozer at $1,000.00 per month from Howard Cooper Corporation, Portland, Oregon, and the cost of bulldozing is accounted for as follows:

Rental of 1 used International Crawler Tractor S/N TDR 6149 w/dozer, drum and canopy from April 26, 1958 to June 17, 1958 at $1,000.00 per month less adjustment for lost time due to repairs	$1,503.60
Cost of shipping dozer by flat-bed truck from Portland, Ore., to Ashwood, Ore., and return	378.21
Purchased 1 Allied Tote Tooth for dozer	230.00
Wages of dozer operator 4/23/58 to 6/17/58	1,287.68
Payroll taxes and insurance	116.40
Diesel Oil, Lub. and miscellaneous costs	1,082.23
Total cost for bulldozing	$4,598.12
Less: Bulldozing costs allowed	1,500.00
Excess Bulldozing costs disallowed	$3,098.12

The total cost of bulldozing in amount of $4,598.12 represented 288 hours the bulldozer was in use at an average hourly rate of $15.95, which was far in excess of the contract estimate of 100 hours at $15.00 per hour or a total of $1,500.00, therefore it was considered that the amount of $1,500.00 was reasonable as an allowable cost of the contract and the amount of $3,098.12 was disallowed.

The Field Team agreed that the TD bulldozer used by the Operator was equivalent to a D-8 bulldozer as specified in the contract.

(1) Fixed Unit Costs $2,140.80

The fixed unit costs are accounted for as follows:

	Claimed	Disallowed	Allowable
Incidental allowance for each foot of drilling completed	$2,560.00	$ 419.20	$2,140.80

The contract showed an allowable maximum of 1600 feet at $1.60 per foot of drill holes amounting to $2,560.00. In view of the 262 feet of churn drilling disallowed the same disallowed footage applies to incidental allowances, therefore 262 feet at $1.60 per foot in amount of $419.20 is disallowed, which leaves the acceptable costs at $2,140.80

(7) Miscellenous $ 93.60

An examination was made of invoices and cancelled bank checks, covering charges to miscellenous costs, which are accounted for as follows:

	Claimed	Disallowed	Allowable
Sampling and Analysis	$ 28.00	$ -0-	$ 28.00
Drying Samples	344.00	278.40	65.60
Totals	$ 372.00	$ 278.40	$ 93.60

The Operator charged the entire amount of $372.00 to Sampling and Analysis based on the following costs:

Lumber for approximately 300 core boxes for samples	$ 309.38
Labor making core boxes	45.00
Abbot A. Hanks Inv. 7/9/58	
7 Mercury determinations at $4.00 ea.	28.00
Total	$ 382.38
Less: Undertermined amount	10.38
Total Sampling and Analysis	$ 372.00

Of the $372.00 charged by the Operator $278.40 was disallowed, and after this deduction the acceptable costs amounted to $93.60 based on fixed unit costs as set forth in the contract and accounted for as follows:

	Units	Rate	Amount
Sampling and Analysis	7	$4.00	$28.00
Drying Samples	41	1.60	65.60
Total Acceptable Costs			$93.60

The above units of Sampling and Analysis and Drying Samples are in conformity with the Field Team reports, and agreed to by the Operator.

IV CONCLUSIONS

The audit disclosed that all costs charged to this project, with the exception of the disallowances aggregating $4,699.12, as itemized in the preceding section of this report, are reasonable and proper under the terms of the contract.

The audit also disclosed that the status as of July 31, 1958, of "allowable maximums" under the contract was as follows:

	Allowable Maximum	Acceptable Cost	Balance
Churn Drilling	$5,520.00	$4,616.10	$ 903.90
Incidental Allowance	2,560.00	2,140.80	419.20
Sampling and Analysis	600.00	28.00	578.00
Drying Samples	240.00	65.60	174.40

The adjustments between Items of Cost, as shown on the July 1958 Form MF-104, the disallowances, and the accepted costs, are summarized as follows:

	Totals July MF-104	Distribution Corrected	Disallowed by Audit	Accepted Costs
(1) Independent Contracts				
Churn Drilling	$5,520.00	$5,520.00	$ 903.90	$4,616.10
Bulldozing	4,598.12	4,598.12	3,098.12	1,500.00
(1) Fixed Unit Costs				
Incidental Allowance	2,560.00	2,560.00	419.20	2,140.80
(7) Miscellaneous				
Sampling and Analysis	372.00	28.00	-0-	28.00
Drying Samples		344.00	278.40	65.60
Totals	$13,050.12	$13,050.12	$4,699.62	$8,350.50

At the conclusion of the audit, the findings were discussed with Mr. John D. Hoffmann, who represents the Operator, and Mr. Hoffmann agreed to the final acceptable costs, totaling $8,350.50, however he did reserve the right to review the 262 feet of churn drilling disallowed, which has already been discussed under Section II General Information on Records in this audit report.

George Maver

George Maver, OME Auditor

April 2, 1959

So. 157 Howard Street
Spokane 4, Washington

April 24, 1959

EXTRA COPY O. M. E. RECEIVED APR 27 1959		
DATE	INITIALS	CODE
		800

International Engineering and Mining Company
622 Anacapa Street
P. O. Box 278
Santa Barbara, California

Re: Docket No. DMEA-4641 (Mercury)
Axehandle Mine
Jefferson County, Oregon
Contract No. Idm-E1123

Gentlemen:

Enclosed, for your information and files, is a copy of an Audit Certificate and Audit Report covering a project for the exploration of mercury at the Axehandle Mine during the period of May through July 1958.

The audit discloses that there is a balance of $6,262.88 due your company. This has been scheduled for payment and you should receive a check in a few days.

Sincerely yours,

Donald R. MacLaren
For: A. E. Weissenborn
Executive Officer, OME
Field Team Region I

Enclosure

cc: OME (2)
USBM (2)
USBM(AD)

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
420 Custom House, 555 Battery Street
San Francisco, California

April 14, 1959

Air Mail

Memorandum

To: Mrs. Dorothy F. Long, Authorized Certifying Officer
1201 N. Division Street, Spokane 2, Washington

From: George Mavor, OME Auditor (Signed) George Mavor

Subject: Docket No. DMEA-4641 (Mercury)
Axehandle Mine
Jefferson County, Oregon
Contract No. Idm-E1123

Receipt is acknowledged of your letter dated April 13, 1959, in which you returned Audit Report for subject contract, due to the incorrect date of March 2, 1959 shown on page 6 of the report, which should have been dated April 2, 1959.

I have had the date of the report changed to April 2, 1959, and I am returning same for your files, and I understand you will change the remaining copies in your possession. I am sorry this error was not discovered before submitting the copies to your office, and trust same has not caused you any inconvenience.

COPY TO: E. D. TALBERT

CAL FILE COPY
O. M. E.
RECEIVED APR 16 1959

DATE	INITIALS	CODE
4/16	C	220
		800

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
420 Custom House, 555 Battery Street
San Francisco, California

OFFICIAL FILE
RECEIVED APR 13

DATE	INITIALS
4/13	C

220
800

April 9, 1959

Certified Mail

Memorandum

To: Mrs. Dorothy F. Long, Authorized Certifying Officer
1201 N. Division Street, Spokane 2, Washington

From: George Mavor, OME Auditor (Signed) George Mavor

Subject: Docket No. DMEA-4641 (Mercury)
Axehandle Mine
Jefferson County, Oregon
Contract No. Idm-E1123

Reference is made to your letter dated March 12, 1959, in connection with audit of subject contract. Audit is now complete, and I am enclosing herewith one original and 3 copies of Audit Certificate and one original and 2 copies of Audit Report for further distribution by your office. The report shows a balance due the operator in amount of $6,262.88, and the report was approved by the Washington Office April 7, 1959.

Enclosed is copy of letter dated April 7, 1959, from Mr. E. D. Talbert, in connection with allowable maximums and classification of costs as set forth in this audit report. Please attach this copy of letter to your office copy of Audit Report for information purposes.

Also enclosed are 4 copies of John D. Hoffmann statement dated August 1, 1958, to International Engineering and Mining Co. in amount of $18,308.53. I had Mr. Hoffmann certify on each copy, that statement was "true and correct". Please attach one copy of this statement to the MF-104's for July 1958. You will note Mr. Hoffmann certified to the statement which had been previously attached to July 1958 MF-104 without certification, which will give you an extra copy. This statement was not used in connection with the audit, as it had been submitted by Mr. Hoffmann and attached to the MF-104's for information purposes only.

I am also enclosing the following material previously submitted by you.

1. Contract and Correspondence File
   (Includes original contract, Annex I and II, Exhibit "A", and Amendment Nos. 1 and 2)

2. MF-104 and 104A for May 1958, and MF104 and 104A for July 1958, with attachments

Enclosures

Copy to: E. D. Talbert

APR 7 1959

Via Air Mail

To: George Mercer, GSE Auditor

From: E. D. Talbert [Signed] E. D. Talbert
Acting Chief, Contract Administration and Audit Division

Subject: Docket No. NASA-1641 (Mercer)
International Engineering and Mining Company
Contract No. Ldc-2XX3

Your recently submitted Audit Report and Certificate covering the subject contract are accepted and distribution is authorized.

For your future guidance I would like to point out that there are several statements in your audit report which are not technically correct. The errors are not deemed of sufficient importance, however, to justify the rewriting of this report.

In the last paragraph of page 2 and the next to last paragraph on page 3 the estimated cost of $[illegible] for shaft sinking is stated as being a "wonder". According to Article 1(b) of the contract only the work cost of $[illegible] is that and the $[illegible] total of the company (building and drilling) are wonders. The work specifications, however, make the number of holes, the depth of each hole, and the total footage in work items 2 and 4 "wonders".

On pages 4, 5, and 6 the cost of Sampling and Analysis and Drying Samples are listed under Category (7) Miscellaneous. These costs, according to the contract are properly for identification as fixed fees under the same manner as the Engineering Allowance.

A copy of this memorandum is being sent to Mr. Valentzas for his information.

EDTalbert/CMGC
April 7, 1959

cc: Docket
Director's Reading File
Mr. Talbert

EXTRA COPY O. M. E. RECEIVED APR 27 1959		
DATE	INITIALS	CODE
		800

1201 N. Division St.
Spokane 2, Washington

April 20, 1959

Mrs. Dorothy Long, Certifying Officer
OME Field Team, Region I
1201 N. Division Street
Spokane 2, Washington

Re: Docket No. [illegible]-4641 (mercury)
International Engineering and
Mining Company
Axehandle Mine
Jefferson County, Oregon
Contract No. Idm-K1123

Dear Mrs. Long:

The work completed under the contract was done to the satisfaction of the Government. The work authorized under the contract was completed by July 12, 1958. A final report evaluating the results of the exploration program has been presented by the Operator and accepted by the Executive Officer.

The Government has no interest in supplies or equipment purchased for use on the project.

Certification of Discovery or Development will not be recommended by the Field Team.

A final Audit Report dated April 2, 1959 by OME Auditor George Mavor has been received.

As all contract requirements have been met, it is requested that final settlement of our account with the Operator be made.

Sincerely yours,

A. E. Weissenborn, Exec. Officer
OME Field Team, Region I

cc: OME (2)
USGS (2)

EXTRA COPY
O. M. E.
RECEIVED APR 27 1988
DATE | INITIALS | CODE

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

Budget Bureau No. 42-R1036.5

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

APR 25 1959

Month of July, 1958 Docket No. DMEA 4641 Contract No. IDM-E1123
Operator's Name International Engineering and Mining Company Minerals Mercury
Address Box 278, Santa Barbara, California
Contract Amount, $10,420.00 Government Participation: 75 % Amount, $7,815.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling	4157.25	1362.75	5520.00	3252.35	1362.75	4616.10
Bulldozing	3623.12	775.00	4398.12	525.00	975.00	1500.00
Crosscutting						
Drifting						
incid. allow. drilling	1928.00	632.00	2560.00	1508.80	632.00	2140.80
(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	372.00		372.00	28.00	—	28.00
Payroll Taxes						
Liability Insurance						
Drying Samples				65.60	—	65.60
(8) Contingencies (specify):						
TOTALS	10080.37	2,969.75	13050.12	5380.75	2969.75	8350.50

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

Date 2-8-59 *Payee Int. Eng. & Mining Co.

Per Frank S. Sylvester Title Pres.

*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:

$ 4035.56

Signature Dorothy F. Long
(Authorized Certifying Officer)

Date 4/21/59 Vou. No. 2291

(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. 6122 in accordance with the terms of the contract.

Signature /s/ E. G. Erickson Title Mining Engr. Date 3/12/59

APPROVAL BY ~~DMEA~~ ONE EXECUTIVE OFFICER OR ALTERNATE:

Signature /s/ A. E. Weissenborn Title Exec. Officer Date April 20, 1959

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-104A
(April 1962)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of July 1958 Docket No. DMEA 4641 Contract No. DM-E1123
Operator's Name International Engineering and Mining Company Minerals Mercury
Address Box 278, Santa Barbara, California

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							1600	
Drilling: Core		3253.35	943 ~~1,205~~	4616.10 ~~5520.00~~	1338 ~~1,600~~	3.45		
Churn	ft	~~4157.25~~					ft	3.45
Auger							100	
Stripping	hrs.	5251.0	35 ~~223~~	1500.00 ~~4598.12~~	100 ~~288~~	15.95		
Trenching		~~3623.12~~					hr	15.00
Test Pits							1600	
Roads and Trails		1508.80	943 ~~1,205~~	2140.80 ~~2560.00~~	1338 ~~1,600~~	1.83*		
incid. allow. drilling	ft	~~1,928.00~~					ft	1.60
TOTAL DISTRIBUTED COSTS		5287.15 ~~9708.37~~		8256.90 ~~12,678.12~~				TOTAL COSTS AUTHORIZED BY CONTRACT
Drying Samples ~~Operating Equipment Purchased~~		65.60	41	65.60				
Initial Rehabilitation and Repairs		28.00	7	28.00				
New Buildings, Improvements, etc. Sample & Assay		~~372.00~~		~~372.00~~				
TOTAL COSTS		~~10,080.37~~ 5380.75		~~13,050.12~~ 8350.50				

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

Date July 15, 1958 Operator Int'l Engineering & Mining Co.
Per Frank S. Lyttrelson Title Pres.

REMARKS: ~~Includes Sample & Assay~~ Allowance.

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)

/s/ E. L. Erickson, 3/12/59

INSTRUCTIONS

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

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

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

GPO 872894

JOHN D. HOFFMANN
P. O. Box 835
520 Santa Barbara Avenue
San Luis Obispo, California

Mining and Milling

Telephone Liberty 3-7149

August 1, 1958

International Engineering and Mining Co.
P. O. Box 270
Santa Barbara, California
D

DATE	NAME	EXPENSE	AMOUNT
4/16/58	Southwest Travel Service	Travel Expense	264.40
4/23	James Clausen	Ditto	150.00
4/23	Howard Cooper Corp.	Equip. Rental	600.00
5/12	Bert Abrams	Drilling	1145.40
5/13	Bud's Mobil Svc.	Travel Exp.	440.00
5/14	Howard Cooper Crp.	Equip. Rental	600.00
5/25	" " "	" "	607.20
5/26	Bert Abrams	Drilling	217.35
5/27	Spink	Maintenance	103.00
5/28	Union Oil	Gas & Fuel	109.51
5/28	Mrs. Clausen	Tel & Tel	16.75
5/29	James Moore	Travel Exp.	300.00
6/1	Houston Tool Co.	Maintenance	46.00
6/9	James Moore	Payroll	180.00
6/10	Swanson	Rent	1200.00
6/10	Union Oil	Gas & Fuel	85.01
6/13	Houston Tool Co.	Travel Exp.	101.81
6/13	" " "	Pro. Fee	50.00
6/30	Rolland Hixon	Gen. Exp.	186.85
6/30	Bert Abrams	Drilling	1321.64
6/30	Jim Moore	Gen. Exp.	250.00
6/30	Bert Abrams	Drilling	1507.00
7/7	Bert Abrams	Drilling	1252.35
7/9	Rolland Hixon	Gen. Exp.	131.34
7/9	Rolland Hixon	Payroll	1625.00
7/9	James Moore	"	442.50
7/9	Luther Hughes	"	600.00
6/26	Green Transfer	Equip. Move	260.23
6/13	Allied Tractor	Equipment	230.00
7/10	James Clausen	Payroll	1287.60
			15,131.02

August 1, 1958

International Engineering and Mining Co.

Total	15,131.02
plus 10% overhead	1,513.10
	16,644.12
plus 10% profit	1,664.41
	18,308.53

I hereby certify that this statement of account due from International Engineering and Mining Co. aggregating $18,308.53 is true and correct.

John D. Hoffmann

NARRATIVE COVERING DOZER WORK APR. 27-JUNE 1st

TD18 Dozer rented from Howard Cooper Corp., Portland, Ore. transported to Ashwood. Dozer walked from Ashwood to Axe Handle Mine because of 15 ton load limit on bridge at Ashwood, walking distance six miles.

Work begun on first bench April 27. Benching and access roads to benches progressive with no difficulty on first six benches. Trouble encountered at Dead End Shaft area in moving rocks Basaltic plug material. Work progress somewhat slower. A ripper tooth installed on blade May 6 in order to bring dozer progress back to normal. Benches 7, 8 and 9 completed by May 15th.

Dozer worked area shown on overlay as Benches 13, 16 and 17 and 18 to try and determine contact between basaltic plug and altered andesite. Benching and cross trenching in this rock, covered last half of May. Some of this work is now hidden by benches placed to provide for drill sites as proposed by D. M. E. A. drill program.

JUNE 1-15th

During this two week period benches 10, 11 and 12 were completed both to explore and provide for future drill sites.

Two exploratory cuts were also made. No. 1 was decided upon to try and find a contact or change in formation. The cut was made at righ angle to the contours for his purpose. Formation remained the same with no showings of ore.

No. 2 was made at the edge of Mesa to try and cut through loose plug material. The alluvial is too deep here to penetrate with a dozer.

Dozer moved out on June 15th to be transported back to Portland. Total hours worked by operator-396.

NARRATIVE COVERING DRILLING APRIL 29-JUNE 1st

Churn drill arrived on property 10 AM April 29th and spudded in Hole 1. Drilling progressed to 50' in altered andesite. Completed hole April 30th and drilled 15' on hole 2. This hole not completed until May 8th. Loose boulders and ravelling caused considerable trouble. It became necessary to bring in casing and case hole. The last ten feet required 10 gallons of water per foot. Double the normal amount.

No. 3 hole drilled in altered andesite. Water came in at 50' level. Hole drilled to 75'. The water rose to 35' level by following morning. No ore despite the close proximity to dead end shaft. Hole completed May 9th.

Spudded in Hole 4 AM May 10th. Drilled through Basaltic boulders. Loose boulder stopped driller at 32'. Driller returned May 13th with casing and powder. Blasted boulder in order to case the hole. Same trouble a 40'. This time the blast ruined the casing and hole was abandoned.

Had trouble starting Hole 5 in loose basaltic rock. Made 8' May 15th. 20' on May 16th - 28' on May 17th. Returned to job on 21st- made 4' more. Made 17' - May 22nd - Drilled to a total depth of 102: Hole completed on May 28th . Did not penetrate the Basaltic plug material.

Hole 6 - First 20' through plug and into altered andesite. Completed 95' of hole on May 29th. Lost 40' feet of hole during the night. Had to bail out. Completed hole. Altered andesite - no cinnabar. Hole completed May 30th.

Drilling completed April 29 to June 1, 1958:

Hole #1	75 feet
Hole #2	150 "
Hole #3	75 "
Hole #4	Abandoned
Hole #5	102 feet
Hole #6	125 "
Total	527 Feet Drilled

NARRATIVE COVERING DRILLING JUNE 1st - JULY 2nd

Driller arrived on job June 3rd and spudded in Hole 7. Drilled 8'.

June 4th. Cut through plug material into altered andesite at 19'. Broke down.

D. M. E. A. Field team arrived for routine inspection.

Driller resumed drilling June 8th. Heavy iron sulphides and some cinnabar in pannings from 65' to 80. Sulphides continued to 125' Completed hole 7 June 9th.

Hole 8, 0' - 10' Basaltic plug material 10' - 125' altered andesite. small amount of iron sulphides 85' to 125'.

Hole 9, 0' - 20' appeared to be a mixture of altered andesite and some basalt. Hit the basalt plug at 20' so we pulled off of the hole at 60'.

Hole 10, All in altered andesite with small amounts of iron oxide showing.

Hole 11, All in altered andesite with heavy iron sulphides showing at bottom. Due to proximity of P15B and ore showing with sulphides in hole 7 we drilled to 150' where sulphides decreased. No cinnabar below 20' - Trace from 0' - 20'.

Hole 12, Hit iron sulphides here and drilled to 150' level again in hopes of finding ore. All the way in altered andesite.

Hole13, This hole was plotted to cut through plug and pick up ore that should exist as an extension of dead end shaft workings. Contact expected to be reached at about 45'. The hole actually drilled to 75' all in plug material.

Hole 14, Once again the iron sulphides were heavy so we drilled to 150' where again they decreased. In spite of close proximity to Dead End Shaft we found no trace of ore.

Hole 15, Site for this hole pitched because of stringer of cinnabar showing directional to the main workings of previous owners. Nothing [illegible] workings of [illegible] of commercial grade. Iron sulphides appeared at 100' so we completed drill program. Still no ore with sulphides.. Hole drilled to 138' completed on July 2nd 1958.

REPORT OF ASSAY

ABBOT A. HANKS, INC.
ASSAYERS, CHEMISTS, ENGINEERS
624 Sacramento Street
San Francisco, California

July 9, 1958

Deposited By

John D. Hoffmann
778 Marsh Street
San Luis Obispo, Calif.

LABTY. NO.	MARK	MERCURY
33052	Hole #7-75'-80'	0.05%
" 53	Hole #7-70'-75'	0.07
33054	Hole #11-5'-10'	0.07
33133	Hole #7-65'-70'	0.07
33134	Hole #11-0'-5'	0.08
33135	Hole #11-10'-15'	0.01
33136	Hole #11-15'-20'	0.01

Martin P. Quist

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

Budget Bureau No. 42-R1036.5

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

Month of May, 1958 Docket No. DMEA 4641 Contract No. IDM E 1123
Operator's Name International Engineering & Mining Co. Minerals Mercury
Address P. O. Box 278, Santa Barbara, California
Contract Amount, $~~2969.75~~ 70,420.00 Government Participation: 75 % Amount, $~~2227.31~~ 7815.00

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	1362.75	0	1362.75	1362.75	—	1362.75
Bulldozing	975.00	0	975.00	975.00	—	975.00
Crosscutting						
Drifting						
incidental allow. drilling	632.00	0	632.00	632.00	—	632.00
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	2969.75		2969.75	2969.75	—	2969.75

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

Date 6/16/58 *Payee International Engineering & Mining

Per Frank L. Sylvester Title Pres.

*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:

$ 2227.32

Signature Dorothy F. Long
(Authorized Certifying Officer)

Date 4/21/59 Vou. No. 2291

(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 1123 in accordance with the terms of the contract.

Signature /s/ Eric L. Erickson Title Mining Engr. Date 3/12/59

APPROVAL BY ~~DMEA~~ OME EXECUTIVE OFFICER OR ALTERNATE:

Signature /s/ A. E. Weissenborn Title Exec Officer Date April 20, 1959

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-104A
(April 1962)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of May 1958 Docket No. DMEA 4641 Contract No. IDM E1123

Operator's Name International Engineering & Mining Co. Minerals Mercury

Address P. O. Box 278, Santa Barbara, California

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	ft	1362.75	395	1362.75	395		ft/1600	3.45
Auger								
Stripping								
Trenching	hr	975.00	65	975.00	65		hr/100	15.00
Test Pits								
Roads and Trails								
incidental allow. dril.	ft	632.00	395	632.00	395		ft/1600	1.60
TOTAL DISTRIBUTED COSTS		2969.75		2969.75				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		~~2969.75~~		~~2969.75~~				

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

Date 6/16/58 Operator International Engineering & Mining Company

Per Frank S. Sylvester Title Pres.

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

(Instructions on reverse)

REMARKS:

(For Government use only)

15/ Eric L. Erickson, 3/12/59

INSTRUCTIONS

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

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

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

GPO 872894

So. 151 Howard Street
Spokane 1, Washington

April 1, 1959

EXTRA COPY
O. M. E.
RECEIVED APR 3 1959
800

Mr. John D. Hoffman
P. O. Box 835
920 Santa Barbara Avenue
San Luis Obispo, California

Re: Docket No. IDAA-4681 - Mercury
International Engineering & Mining Co.
Sunbelle Mine
Jefferson County, Oregon
Contract No. Ida-E1123

Dear Mr. Hoffman:

Thank you for your letter of March 25, 1959 informing us that you and Mr. Mayer are in agreement with the costs that can be allowed under the contract.

You were correctly advised that the Government is interested in knowing the total costs of a project even though they exceed the costs authorized in the contract, as that is the only means we have of checking our estimates.

The contract clearly specifies the maximum number and depth of holes that were to be drilled in each specified area. Although these specifications were not adhered to, the total drilling did not exceed the total authorized by very much. Our field men discussed this with you during their inspection on July 21, 1958. They told you they would request an amendment to change the maximum depth to which holes could be drilled. The request was not approved.

When we receive Mr. Mayer's audit we will release the funds due International Engineering and Mining Company.

Thank you for your help in straightening out the account.

By Field Team Region 1

A. E. Weissenborn, Fmd. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: Frank Sylvester
P. O. Box 278
Santa Barbara, Cal.

✓GMX (3) w/incoming
USBM (2)
USGS(AD)

D. H
O. N
Bar
Dispo

Ma

Re
Ax
Jeffe County, Oregon
Contract No. IDM-E1125

[illegible] contract with Mr. George [illegible], OME, Auditor, [illegible] agreement with the final contract costs as allowed [illegible] of $8,350.50.

[illegible] July, 1958 showed final costs of $13050.12. This [illegible] information and was not included as a claim against

[illegible] that total costs were of interest to the government [illegible] the contract amounts. Additional work was [illegible] property at my expense and for my benefit which [illegible] office.

[illegible] not informed of the fact that certain footage of [illegible] allowed when your [illegible] made their inspection. [illegible] that certain diamond exploration was allowed. [illegible] of the disallowed footage. I do reserve the right to [illegible] if I received mutually cooperative information relating

[illegible] in my letter of October 17, 1956, I am writing this letter [illegible] the International Engineering and Mining Company since I [illegible] with the details then they. I am sending forward a copy of [illegible] Mr. Sylvester, asking that he sign it as approved.

[illegible] further service to you in this matter, please let me know. [illegible] you for your courtesy and for the pleasure of working with [illegible] straightening out this long standing account.

[illegible] Frank S. Sylvester...
[illegible] & Mining Co.
[illegible] Sylvester, Pres.

Very truly yours,

[illegible], OME Auditor
[illegible]ert, OME Audit Div.

No. 157 Sonnet Street
Spokane 4, Washington

April 1, 1959

Re: Docket No. IMEA-402 (Mercury)
International Engineering & Mining Co.
Ashwaddle Mine
Jefferson County, Oregon
Contract No. Ibs-8123

Mr. Ramon C. Rodriguez
Overhulse & Rodriguez
Furnes Building
Madras, Oregon

Dear Mr. Rodriguez:

We are presently making an audit of the IMEA contract to which you refer in your letter of March 27, 1959. This contract is between the Government and International Engineering and Mining Company, P. O. Box 278, Santa Barbara, California. Presumably Mr. Hoffman performed the work for International Engineering and Mining Company as sub-contractor or under some other agreement.

As soon as our audit is complete we will release the funds due to International Engineering and Mining Company. No funds will be paid by this office directly to Mr. Hoffman as we have no contract with him. Whether or not International has already paid Mr. Hoffman or, if so, when they will pay him we do not know.

Ay Field Team Region I

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: WGE (3) w/incoming
DEEM (2)
DEEM(AD)

RECEIVED
BUREAU OF MINES
MAR 30 1959
SPOKANE, WASH.

LAW OFFICES
OVERHULSE & RODRIGUEZ
TURNER BUILDING
MADRAS, OREGON

March 27, 1959

Mr. A. E. Weissenborn
U. S. Geological Survey
1201 N. Division Street
Spokane 2, Washington

Dear Sir:

Mr. Bert Abrams has contacted me again with regard to the drilling on the Ashwood property for Mr. Hoffman.

Apparently, you still have not made payment on the government claim. Mr. Hoffman is trying to get Abrams to make a settlement with him. I wonder if we could get an assignment that would be honored through your office.

My thought was this. If you could tell me approximately when the matter would be settled, so Mr. Abrams could count on getting his money for sure, we could then, with your approval, make an assignment from Mr. Hoffman to Mr. Abrams. Mr. Abrams would then take that in settlement of the claim.

Perhaps this would make it easier for you to settle with Hoffman. I don't know.

If there is a holdup on the thing or there is something wrong with it, we would appreciate knowing, because we have been hearing one story from one party and another story from another party. Now they claim there is something wrong with about 272 feet of hole.

I don't see how that should be Mr. Abrams responsibility and I don't really think Mr. Hoffman has been trying to put it off on him.

Anything you can do to tell us the easy way to get this matter settled without inconvenience to anyone would be more than welcome. I hope that you could give us the time an assignment could be effective and the assurance that such an assignment could be accepted by your bureau. Also, if you have any requirements in the assignments or any forms, you can send them to me and we can then get in touch with Mr. Hoffman.

We are expecting a letter from Mr. Hoffman shortly, perhaps at that time I will have more information.

Very truly yours,

OVERHULSE & RODRIGUEZ

Sumner C. Rodriguez

SCR/cp

JOHN D. HOFFMAN
P. O. Box 835
520 Santa Barbara Avenue
San Luis Obispo, California

Office of Mineral Exploration
South 157 Howard Street
Spokane 4, Washington

March 25, 1959

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 30 1959

DATE	IN. FILES	CODE
3-30	C	220
		800

Attention: Mr. A. E. Weissenborn

Re: Docket DMEA-4641
Axehandle Mine
Jefferson County, Oregon
Contract No. IDM-E1123

Dear Sir;

Reviewing the above contract with Mr. George Mavor, OME, Auditor, we find that we are in agreement with the final contract costs as allowed by your office in the amount of $8,350.50.

The MF-104 forms for July, 1958 showed final costs of $13050.12. This figure was submitted for information and was not intended as a claim against the government.

We had been advised that total costs were of interest to the government even though they exceeded the contract amounts. Additional work was performed at the above property at my expenses and for my benifit which in no way obligated your office.

I regret that we were not informed of the fact that certain footage of the drilling was not allowed when your field team made their inspection. My best information was that certain discretionary exploration was allowed. I will make no dispute of the disallowed footage. I do reserve the right to re-open the matter if I received mutually constructive information relating to it.

As I explained in my letter of October 17, 1958, I am writing this letter for the benefit of the International Engineering and Mining Company since I am more familiar with the details then they. I am sending forward a copy of this letter to Mr. Sylvester, asking that he sign it as approved.

If I can be of further service to you in this matter, please let me know. I wish to thank you for your courtesy and for the pleasure of working with Mr. Mavor in straightning out this long standing account.

Very truly yours,

John D. Hoffman

JDH/mm

cc: George Mavor, OME Auditor
Jay L. Chambers, OME Audit Div.
Frank Sylvester

1201 N. Division St.
Spokane 2, Washington

March 12, 1959

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 19 1959
DATE | INITIALS | CODE
800

CERTIFIED MAIL

Mr. George Mavor, OME Auditor
Room 420, Custom House
555 Battery Street
San Francisco, California

Re: Docket No. [illegible]-6041 (mercury)
Arrowsmith Mine
Jefferson County, Oregon
Contract No. Ida-R1123

Dear Mr. Mavor:

Enclosed herewith is a memorandum from the Field Team, Region I, requesting Final Audit of the subject contract. In addition, we are transmitting the following material needed to complete your audit:

1. Contract and Correspondence File (Includes original contract, Annex I and II, Exhibit "A", and Amendments Nos. 1 and 2)

2. MF-104 and 104A for May 1958, and MF-104 and 104A for July 1958, with attachments

There have been no payments made to the Operator. The vouchers have been tentatively completed in line with the units of work accepted by the Field Team.

Sincerely yours,

Dorothy F. Long
Authorized Certifying Officer

Enclosures

cc: Mr. Chambers
OME (2)
USGS (2)
USBM (AD)

EXTRA COPY
O. E.
RECEIVED MAR 19 1959
DATE

1201 N. Division St.
Spokane 2, Washington

March 11, 1959

Mr. George Mayer, OME Auditor
Room 420, Custom House
555 Battery Street
San Francisco 11, Calif.

Re: Docket No. [illegible]-4641 (mercury)
International Engineering & Mining Co.
Axehandle Mine
Jefferson County, Oregon
Contract No. Ida-[illegible]123

Dear Mr. Mayer:

The work authorized under the referenced contract was completed by July 12, 1958; however, the winding up procedure has been delayed pending receipt of properly signed MF-104's.

The number of units of work satisfactorily completed by the Operator and accepted by the Field Team are:

Item	Authorized	Completed	
Bulldozing	100 hrs.	180 hrs.	1/
Churn drilling	1600 ft.	1338 ft.	2/
Chemical analyses	150	7	
Dry samples	150	41	
Incidental allowance	1600 ft.	1338 ft.	

1/ The bulldozing was done with a late model International TD-18 bulldozer while the contract specifies a D-8 bulldozer or equivalent. The TD-18 has 89 h.p. and the minimum D-8 h.p. is 95 so these tractors can be considered equivalent.

2/ Dry Strike, F-16-8 and No. 2 Shaft Area

Hole No.	Depth	Reimbursable
5	102 ft.	none
6	125 ft.	125 ft.
7	125 ft.	125 ft.
8	125 ft.	125 ft.
9	60 ft.	none
10	125 ft.	125 ft.
11	150 ft.	125 ft.
12	125 ft.	125 ft.
	Total	750 ft.

Hole No. 12 was inadvertently omitted from the Final Inspection Report dated July 21, 1958.

No. 1 Shaft Area

Hole No.	Depth	Reimbursable
1	75 ft.	75 ft.
2	150 ft.	150 ft.
15	138 ft.	138 ft.
	Total	363 ft.

Dead End Shaft Area

Hole No.	Depth	Reimbursable
3	75 ft.	75 ft.
13	75 ft.	75 ft.
14	150 ft.	75 ft.
	Total	225 ft.

Total feet reimbursable 1338 ft.

The Operator's final engineering and geological report was received on February 19, 1959. This report meets the requirement of Article 7(e) of the contract.

The Field Team final report will not recommend a Certification of Discovery or Development.

The Operator has not been reimbursed for any units of work completed.

A Final Audit is in order and requested.

In a letter dated October 17, 1958, Mr. John D. Hoffmann states that he performed the exploration work for International Engineering on a cost plus basis. In support of his costs Mr. Hoffman submitted a list, dated August 1, 1958, of his expenses which, however, is not signed. It seems to us that if Mr. Hoffman's billing was signed by him, then it would become his invoice to International Engineering and the contract could then be audited and closed.

In view of the lack of interest shown by International Engineering we suggest that you go to San Luis Obispo, California and contact Mr. Hoffmann personally as he would have all the invoices in his possession. If this cannot be done, we will have to refer the closing of the contract to Washington as it is doubtful that anything more can be accomplished by contacting the Operator.

By Field Team, Region I

Wing G. Agnew, Member
U. S. Bureau of Mines

A. H. Weissenborn, Exec. Officer
U. S. Geological Survey

cc: Mr. Chambers (2)
USGS (2)
USBM (2)

EXTRA COPY O. M. E. RECEIVED FEB 2 1959		
DATE		CODE
		800

[illegible] E. Division St.
Spokane 2, Washington

[illegible] January 27, 1959

International Engineering and Mining Co.
P. O. Box 278
Santa Barbara, Calif.

Re: Docket No. [illegible]-1412 (secondary)
Lookingglass Mine
Jefferson County, Oregon
Contract No. [illegible]-[illegible]

Gentlemen:

We wrote you on July 23, September 8 and November 12, 1958 about the requirements for proper vouchering, etc. for work done under your [illegible] contract during the month of July 1958. To date we have not received the requested submittals.

We would like to receive this material as soon as possible so that we may proceed with closing out the contract.

By Field Team, Region I

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing C. Agnew, Member
U. S. Bureau of Mines

cc: International Engr. & Mining Co.
306 W. Wyoming Avenue
Las Vegas, Nevada

GMS (2)
USGS (2)
USBM (AD)

EXTRA COPY O. M. E. RECEIVED NOV 17 1958		
DATE	INITIALS	CODE
		800

1201 N. Division St.
Spokane 2, Washington

November 12, 1958

Mr. Frank S. Sylvester
International Engineering and Mining Co.
P. O. Box 278
Santa Barbara, Calif.

Re: Docket No. DMEA-4641 (Mercury)
Anchusella Mine
Jefferson County, Oregon
Contract No. Ida-82123

Dear Mr. Sylvester:

On September 16, 1958 you wrote us that revised forms MF-104 and MF-104A, together with information requested in our letter of July 23, would be forwarded without delay.

We would like to receive this material at the earliest possible date so that this account can be closed.

Sincerely yours,

Wing C. Agnew, Member
OME Field Team (successor to DMEA)
Region I

cc: OME (2)
USGS (2)
USBM (AB)

EXTRA COPY
DMEA
RECEIVED SEP 11 1958

DATE		CODE
		800

1201 N. Division St.
Spokane 2, Washington

September 8, 1958

Mr. Frank S. Sylvester
International Engineering and Mining Co.
P. O. Box 278
Santa Barbara, Calif.

Re: Docket No. DMEA-4641 (Mercury)
Ambendle Mine
Jefferson County, Oregon
Contract No. I[illegible]-X1173

Dear Mr. Sylvester:

On July 23, 1958 we requested that you furnish us with certain information in order that we could proceed with processing your July 1958 voucher. At that time we also returned your forms MF-104 and MF-104A as they improperly showed John D. Hoffman as the Operator whereas International Engineering and Mining Company is the Operator.

We will appreciate receiving the information requested in our previous letter and the corrected MF-104 forms as soon as possible. We are enclosing another set of the forms for your convenience.

Sincerely yours,

S. W. Zoldak
for: Wing G. Agnew, Member
DMEA Field Team, Region I

Enclosure

cc: DMEA (2)
USGS (2)
USBM (AD)

DATE	CODE
	800

1201 N. Division St.
Spokane 2, Washington

July 23, 1958

Mr. Frank S. Sylvester
International Engineering and Mining Co.
P. O. Box 278
Santa Barbara, California

Re: Docket No. DMEA-4641 (Mercury)
Axehandle Mine
Contract No. Idm-E1123
Monthly operating report for
July 1958

Dear Mr. Sylvester:

This will acknowledge receipt of your letter of July 17 enclosing your Operator's Monthly Report and Voucher, with attachments, for the month of July.

Before your vouchers can be processed for payment we will need invoices covering all work done under Independent Contracts for the bulldozing and drilling claimed on your May and July vouchers. This should include invoices for the bulldozer rental, specifying type of dozer and serial identification number; fuel oil used for dozer; for moving dozer, for the dozer tooth and any other items related to bulldozing. Also, we will need invoices from Mr. Hoffman covering the churn drilling, showing number of feet drilled and price per foot.

It is noted your MF-104 and MF-104A are made out to John D. Hoffman. These must be made to the Operator under the contract and, in this case, is International Engineering and Mining Company, P. O. Box 278, Santa Barbara, Calif. We are returning these forms for correction.

By Field Team, Region I

A. R. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

Enclosures
cc: DMEA (2)
USGS (2)

AUG 20 1959

International Engineering and Mining Company
622 Anacapa Street
Post Office Box 878
Santa Barbara, California

Re: Docket No. DMA-1681 (Mercury)
International Engineering and
Mining Company
Ambacadia Mine
Jefferson County, Oregon
Contract No. Ida-K1121

Gentlemen:

Reference is made to your completed exploration contract with the Government.

We sincerely regret that the work performed did not result in a certification of discovery or development under the provisions of the contract. In the absence of such certification, the Government 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 project. Your attention, however, is called to the provisions of the contract which require the operator to keep and preserve certain records for the period indicated.

We appreciate your interest and participation in the DMA exploration program which has now been succeeded by the Office of Minerals Exploration program.

Sincerely yours,

Acting Director

JWAlt/er 8-6-59
Copy to: Docket
Dir Read File
Op. Committee
Const. Adm & Audit Div.
Region I (7)
Mr. & Mrs. Gy W.Wharton, Dallas, Oregon
T.E. Autsen, Portland, Oregon
Mrs. Ruth Swanson, Madras, Oregon
Mr. & Mrs. Francis Johnson, Ashwood, Oregon
Mr. & Mrs. D. C. Swanson, Ashwood, Oregon
Chron.

IT COPY

OFFICIAL FILE COPY
DMEA
RECEIVED 7 1958
DATE

EXPLORATION PROJECT CONTRACT
INTERNATIONAL ENGINEERING AND MINING COMPANY
DOCKET NO. DMEA-4641

AMENDMENT NO. 2

It is agreed this 21st day of April 1958, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and the International Engineering and Mining Company, a partnership comprised of Frank Sylvester, E. L. Cleveland, P. L. Schneider, and E. L. Sylvester, that Exploration Project Contract No. Idm-E1123, (Docket No. DMEA-4641), dated August 21, 1957, as amended, is further amended as follows:

In Article 3 of the contract the date specified for commencing work is extended from April 1, 1958 (Amendment No. 1), to on or before May 15, 1958, and work shall be completed within thirteen months from the date of the contract.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute, or the fixed unit cost of any item of work.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By A. E. Weissenborn
A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I

INTERNATIONAL ENGINEERING AND MINING CO.

Frank Sylvester (Partner)
FRANK SYLVESTER

E. L. Sylvester (Partner)
E. L. SYLVESTER

P. L. Schneider (Partner)
P. L. SCHNEIDER

E. L. Cleveland Jr. (Partner)
E. L. CLEVELAND

EXPLORATION PROJECT CONTRACT
INTERNATIONAL ENGINEERING AND MINING COMPANY
DOCKET NO. DMEA-4641

Justification for Amendment No. 2

Because of extremely heavy rains and general bad weather conditions, it was impossible for the Operator to commence work by April 1, 1958. Mr. Frank Sylvester, partner, requested by telephone near the end of March that an amendment be prepared extending the starting date to May 15, 1958.

INTERNATIONAL ENGINEERING & MINING CO.

MINE HEADQUARTERS, ASHWOOD, OREGON

POST OFFICE BOX 278 / SANTA BARBARA / CALIFORNIA

Cable Address: INEMCO

President
FRANK SYLVESTER
Executive Vice-President
E. L. CLEVELAND
Vice-President
P. L. SCHNEIDER
Secretary Treasurer
E. L. SYLVESTER

MAIN OFFICE
Santa Barbara, Calif.
WOodland 5-1615
WOodland 9-7613

BRANCH OFFICE
106 W. Wyoming Ave.
Las Vegas, Nevada

DMEA COPY
RECEIVED MAY 7
DATE CODE

April 28, 1958

U.S. Department of the Interior
Defense Minerals Exploration Administration
South 157 Howard Street
Spokane 4, Washington

Attn: A.E. Weisenborn
Exect. Officer DMEA
Field Team, Region 1.

Dear Sir:

Please find enclosed signed copies of the amendment to exploration Project Contract No. Idm-E1123, (Docket No. DMEA-4641.

We wish to thank you for your consideration on the time extension and inform you that we are now under way. The Cat was moved in on the 26th day of April and the driller spudded in on the first hole today.

Mr. P.L. Schneider or Mr. R.L. Hixson will be on the project and will look forward to seeing your field Engineer when in this area.

Sincerely yours

Frank S. Sylvester

FSS/m

EXTRA COPY
DMEA
RECEIVED MAY 7 1958

DATE	INITIALS	CODE
		800

So. 157 Howard Street
Spokane 4, Washington

May 2, 1958

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-4641 (Mercury)
International Engineering & Mining Co.
Axehandle Mine
Jefferson County, Oregon
Contract No. Idm-E1123

Dear Mr. Selfridge:

Enclosed are the Government and Audit copies of Amendment No. 2 to the contract. Other copies of the amendment have already been distributed.

Also enclosed are two copies of a self-explanatory letter dated April 28, 1958 from Frank S. Sylvester, partner, International Engineering and Mining Company.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I

Enclosures

cc: USBM (2)
USBM (AD)
Albee

Audit copy

DMEA
RECEIVED MAR 24 19
DATE

EXPLORATION PROJECT CONTRACT
INTERNATIONAL ENGINEERING AND MINING COMPANY
DOCKET NO. DMEA-4441

AMENDMENT NO. 1

It is agreed this 10th day of February 1958, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and the International Engineering and Mining Company, a partnership comprised of Frank Sylvester, E. L. Cleveland, P. L. Schneider, and E. L. Sylvester, that Exploration Project Contract No. Idm-31123 (Docket No. DMEA-4441), dated August 28, 1957, is amended as follows:

In Article 3 of the contract the date specified for commencing work is extended from February 15, 1958, to on or before April 15, 1958, and the period for completion of the work is extended to thirteen months from the date of the contract.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute, or the fixed unit cost of any item of work.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By Wing G. Agnew
Wing G. Agnew
Acting Executive Officer
DMEA Field Team, Region I

INTERNATIONAL ENGINEERING AND MINING CO.

Frank Sylvester (Partner)
FRANK SYLVESTER

E. L. Sylvester (Partner)
E. L. SYLVESTER

P. L. Schneider (Partner)
P. L. SCHNEIDER

E. L. Cleveland (Partner)
E. L. CLEVELAND

EXPLORATION PROJECT CONTRACT
INTERNATIONAL ENGINEERING AND MINING COMPANY
DOCKET NO. [illegible]

Justification for Amendment No. 1

The Operator requests, because of a storm in the area of the Kwabendle mine, that the date of commencing the work be extended from February 15, 1958, to March 1, 1958. Because of the possibility of continued stormy conditions and the impracticability of commencing work under such conditions, the date of commencing work under the project should be extended from February 15, 1958, to March 15, 1958.

INTERNATIONAL ENGINEERING & MINING CO.

MINE HEADQUARTERS, ASHWOOD, OREGON
POST OFFICE BOX 278 / SANTA BARBARA / CALIFORNIA
Cable Address: INEMCO

President
FRANK SYLVESTER
Executive Vice-Presidents
E. L. CLEVELAND
Vice-President
P. L. SCHNEIDER
Secretary-Treasurer
E. L. SYLVESTER

MAIN OFFICE
Santa Barbara, Calif.
WOodland 5-1615
WOodland 9-7603

BRANCH OFFICE
106 W. Wyoming Ave.
Las Vegas, Nevada

EXTRA COPY
DMEA
RECEIVED MAR 24 1958

DATE	INITIALS	CODE

March 12, 1958

3/18

United States Department of the Interior
Defense Minerals Exploration Administration
Sp. 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-4641
Axehandle Mine
Jefferson County, Oregon
Contract No. Idm-E1123

Attention: Mr. A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I

In the best interests of all concerned we respectfully request delay in the starting date of the Axehandle exploration project to confirm with attached wire, to April 1, 1958.

We have taken the liberty to so change the date in the extention authorization. If this is not acceptable and you elect to process a new extention, we will be more than pleased to comply.

Sincerely yours

By: P. L. Schneider
Vice-President
International Engineering
& Mining Co.

PLS/m
Enc. aI-4
Enc. tI-1

CLASS OF SERVICE
This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION
TELEGRAM

W. P. MARSHALL, PRESIDENT

SYMBOLS
DL = Day Letter
NL = Night Letter
LT = International Letter Telegram

1201 1958 MAR 12 PM 6 41

The filing time shown in the date line on domestic telegrams is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

OA235 PRB589

PR BBA079 9 COLLECT=TDBH MADRAS DRC 12 618PMP=

P L SCHNEIDER= 8/43

INTERNATIONAL ENGINEER AND MINING CO 6?? ARAGAPA ST

SANTA BARBARA CALIF=

WEATHER HERE UNSETTLED ADVISE START DRILLING APRIL 1ST=

BERG ABRAMS WELL DRILLING MADRAS.

94703

abse

B 842p

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

EXTRA COPY
DME
RECEIVED MAR 24 1958

DATE	INITIALS	CODE

MME Form 14
Sept. 1958

Contract No. Idm-E) 1123
14-23)

Docket No. DMEA) 4641
MME)

Date of Action April 13, 1959
Terminated Contract

DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OBLIGATION DOCUMENT

To: Chief, Accounts Section, Finance Branch, Bureau of Mines

From: Director, Division of Operations Control and Statistics

Please enter the amounts shown below on the accounts of the Office of Minerals Exploration.

Name and Address of Contractor:

International Engineering & Mining Co.
622 Anacapa Street
P. O. Box 278
Santa Barbara, California

Date of Contract	Region	State	Commodity
August 21, 1957	I	Oregon	Mercury

	Reserve	Obligation
Prior Amount	0	$7,815.00
Increase	0	0
Decrease	0	1,552.12
Revised Amount	0	$6,262.88

Remarks:

cc: 800
210

43244

DMEA Form 14

Contract No. Idm-E1123

Docket No. 4641

Executed contract

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
August 21, 1957	I	Oregon	Mercury

Name and Address of Operator: International Engineering & Mining Co.
622 Anacapa Street
P. O. Box 278
Santa Barbara, California

	Reserve	Obligation
Prior Amount	7,815.00	0
Increase	0	7,815.00
Decrease	7,815.00	0
Revised Amount	0	7,815.00

Remarks:

ALLEN S. DAKAN
(Name)

Allen S. Dakan, Chief
Operations Control and
Statistics Division
(Title)

Date delivered to Bureau of Mines, Washington 12/11/57

22845

OFFICIAL FILE COPY
DMEA
RECEIVED DEC 6 1957

DATE	INITIALS	CODE
		800

MF-200
Revised June 1954)

Audit Copy

Docket No. DMEA 4641

Commodity Mercury

Contract No. Idm-E 1123

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

EXPLORATION PROJECT CONTRACT[1]

It is agreed this 21 AUG 1957 day of ....., 195..., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] International Engineering and Mining Company, a partnership comprised of Frank Sylvester, E. L. Cleveland, F. L. Schneider and Sylvester, whose mailing address is 622 Anacapa Street, P. O. Box 278, Santa Barbara, California, hereinafter called the "Operator,"

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

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

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

(b) The Operator represents and undertakes that:

(1) The Operator is the [4] Lessee-optionee of [5] the entire interest in the land, in possession and entitled to possession for all of the purposes of this contract, under and by virtue of a [6] ....., [7] ..... recorded in Book ....., page ....., official records of said County; and

(2) The Operator's right, title, or interest (whether as owner, lessee, or otherwise) is subject only to the following claims, liens, or encumbrances: interests of lessors

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

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Lien and Subordination Agreement of lessors

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

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of Mercury. The work to be performed is described in Exhibit "A." The Operator on or before 15 Feb. 1958 shall commence the work, and on or before 1 yr. from date of Contract (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall have completed the work [redacted] See Annex II.

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

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

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

ARTICLE 5. *Contribution by the Government.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $10,420.00. The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $7,815.00: *Provided,* That until the Operator has rendered to the Government his final report, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last

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

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

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

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

CATEGORY (2)—PERSONAL SERVICES.

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

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

Subcategory (c)—Labor.

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

CATEGORY (4)—OPERATING EQUIPMENT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 13. *Changes and added provisions.*—

See Annex II.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By Frank E. Johnson

ACTING Administrator, Defense Minerals Exploration Administration

INTERNATIONAL ENGINEERING AND MINING CO.

Frank Sylvester (partner)

By: FRANK SYLVESTER

E. L. Sylvester (partner)

E. L. SYLVESTER

F. L. Schneider (partner)

F. L. SCHNEIDER

E. L. Cleveland (partner)

E. L. CLEVELAND

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

.....

[CORPORATE SEAL]

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

MF-205
(Combines and supercedes MF-[illegible]1 and MF-203)
June 1956

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator Intl. Eng. & Mining Co.
Docket No. DMEA-[illegible]
Contract No. Idm-E 1123
Contract Date 21 AUG 1957

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of Jefferson, State of Oregon, described ~~as follows~~: 2/
in an agreement dated October 15, 1956, between the undersigned and International Engineering and Supply Co., a partnership, recorded in Book 3, page 229, record of mines of said county, assigned to the International Engineering and Mining Co., by an instrument dated November 13, 1956,

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

None

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

2/ 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.

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: None (State "None" or "See Annex No.____")

Dated this 22nd day of July, 195_.

Ruth Swanson Ruth Swanson	[Seal]	Madras, Oregon	[Address]
Guy M. Wharton Guy M. Wharton	[Seal]	600 W 8th The Dalles Ore	[Address]
Nola A. Wharton Nola A. Wharton	[Seal]	600 W 8th The Dalles Ore	[Address]
Daniel C. Swanson Daniel C. Swanson	[Seal]	Ashwood Oregon	[Address]
Virginia B. Swanson Virginia B. Swanson	[Seal]	Ashwood, Oregon	[Address]
Francie Johnson Francie Johnson	[Seal]	Ashwood, Ore.	[Address]

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

_____

[Corporate Seal]

Hilma Johnson Hilma Johnson	[Seal]	Ashwood, Oregon	[Address]
Thomas E. Autzen Thomas E. Autzen	[Seal]	P.O. Box 2528 Portland, Oregon	[Address]
Ruth Swanson Ruth Swanson, Administratrix of the estate of L. C. Swanson, deceased	[Seal]	Madras, Oregon	[Address]

EXPLORATION PROJECT CONTRACT
INTERNATIONAL ENGINEERING AND MINING COMPANY
DOCKET NO. EMRA 4641

ANNEX I

The land referred to in Article 2 of the Contract is described as follows:

South half of northwest quarter and

All that part of the northwest quarter of northwest quarter of Section 35, Township 9 south, range 17 E.W.M. lying south of the premises known and named as the Red Jacket Mine and being about 25.02 acres of land in said northwest quarter of Section 35.

The west half of the southwest quarter of Section 35 and that part of SE¼ of NE¼ of Section 34, Township 9 south, range 17 E.W.M. lying north of Randolph Gulch and containing 30 acres, more or less;

East half of southeast quarter of Section 34; and

A certain lode mining claim, Notice of Location of which was filed by Lavey C. Swanson, said mining claim being known as the Better Chance, and said Notice having been filed September 20, 1937, which claim, according to the description contained in the Notice is as follows:

Commencing at a post marked northeast corner at the northeast corner, which is approximately 846 feet in a southerly direction from the northeast corner of Section 34, Township 9 south, range 17 E.W.M. from thence 300 feet in a southerly direction to the east center end post marked

east center end; thence 300 feet in a southerly direction to a corner post marked southeast; thence 1400 feet in a westerly direction to the southwest corner post marked southwest corner; thence 300 feet in a northerly direction to the west center end post marked "West Center End"; thence 300 feet in a northerly direction to a corner post marked 'Northwest'; thence 1500 feet in an easterly direction to the place of beginning;

all in Jefferson County, Oregon.

EXPLORATION PROJECT CONTRACT
INTERNATIONAL ENGINEERING & MINING CO.
DOCKET NO. DMEA-4641

ANNEX II

Article 13. Changes and added provisions--

(a) In Article 3 the words following the references to Article 10 are deleted and the following words are substituted "shall have completed the work."

(b) In Article 6(a) that part of the last sentence in the first paragraph beginning after the semicolon is deleted.

(c) Notwithstanding any other provision of the Contract, the allowable unit cost per foot of a drilling item is the average unit cost per foot computed on the basis of all the actual unit costs of said drilling item incurred by the Operator: Provided, That the Government will not contribute to any portion of an average unit cost of a drilling item that exceeds the estimated unit cost of said item set forth in the Contract.

(d) Categories (2) through (7) of Article 6(a) are deleted.

(e) In Article 6(c), the words "Article 9" are changed to Article 8.

(f) In addition to the costs of work estimated in Exhibit "A" by categories of actual costs, the costs of work requirements specified in Exhibit "A" as "Fixed Unit Costs" are allowable costs of the project. The Government will contribute to the fixed unit costs as work units are performed. A "Fixed Unit Cost" is an agreed price for each unit of work to be performed regardless of costs incurred by the Operator. Costs set forth in Exhibit "A" include all allowable costs of the work to be performed under the Contract.

EXPLORATION PROJECT CONTRACT
INTERNATIONAL ENGINEERING AND MINING COMPANY
DOCKET NO. DMRA-4641

EXHIBIT "A"

Description of the work

The approximate locations of the proposed work are shown on the map entitled, "Geologic Map of the Axe Handle Mine Area, Horse-Heaven District, T. 9 S., R. 17 E., W. M. Jefferson County, Oregon," attached hereto and made a part hereof.

The work is as follows:

1. With a D-8 bulldozer or equivalent perform the following work:

(a) Strip along an area approximately 1,000 feet in length and a maximum width of 50 feet to extend the known limits of the alteration zone in the New Strike, P-15-B and No. 2 shaft area, and excavate trenches across mineralized zones at points approved by the Government.

(b) Strip along the altered contact zone in the vicinity of the Dead End shaft collar for a distance of approximately 300 feet and to an approximate average depth of 5 feet on the uphill side, and excavate trenches across the mineralized zones at points approved by the Government.

(c) Prepare churn drill sites and roads to the drill sites.

2. In the New Strike, P-15-B and No. 2 shaft area, churn drill a maximum of 6 vertical holes each to a maximum depth of 125 feet, or not to exceed a total of 750 feet of churn drilling.

3. In the No. 1 shaft area, churn drill 4 holes; two to a depth of 150 feet each and two to a depth of 125 feet each, or a total of 550 feet of churn drilling.

4. In the Dead End shaft area, churn drill a maximum of 4 holes each to a maximum depth of 75 feet, or not to exceed a total of 300 feet.

The locations, directions, inclinations, and extents of all work are subject to the approval of the Government.

Churn drill holes shall be not less than 6 inches in diameter and shall be cased as necessary.

Mineralized sections of all work shall be sampled and assayed for mercury by Government approved methods.

Estimated Costs of the Project

Actual Costs

Category (1) Independent Contracts

(a) Bulldozing

Trenching and stripping	75 hours	
Mobilization	16 hours	
Preparation of drill sites and roads to drill sites	9 hours	
Total	100 hours @ $15.00/hr.	$1,500.00

(b) Churn drilling

1,600 feet of 6-inch holes @ $3.45/ft.	5,520.00

Fixed Unit Costs (See Annex II)

Chemical analyses, 150 samples @ $4.00/ea.	600.00
Drying samples, 150 samples @ $1.60/ea.	240.00
Incidental allowance 1/ for each foot of drilling completed	
1,600 feet @ $1.60/ft. of drill holes	2,560.00

Estimated Total Cost of Project	$10,420.00
Government Participation @ 75%	$ 7,815.00

1/ Includes all costs that might otherwise be allowable costs of the project under Categories (1) through (7) of Article 6(a), except as otherwise scheduled in Exhibit "A".

DMEA Form 14

Contract No. Idm-E 1123

Docket No. 4641

DEPARTMENT OF THE INTERIOR

Approved contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
August 21, 1957	I	Oregon	Mercury

Name and Address of Operator: International Engineering & Mining Co.
622 Anacapa Street
P. O. Box 278
Santa Barbara, California

	Reserve	Obligation
Prior Amount	0	0
Increase	7,815.00	0
Decrease	0	0
Revised Amount	7,815.00	0

Remarks:

ALLEN S. DAKAN
(Name)
Allen S. Dakan, Chief
Operations Control and
Statistics Division
(Title)

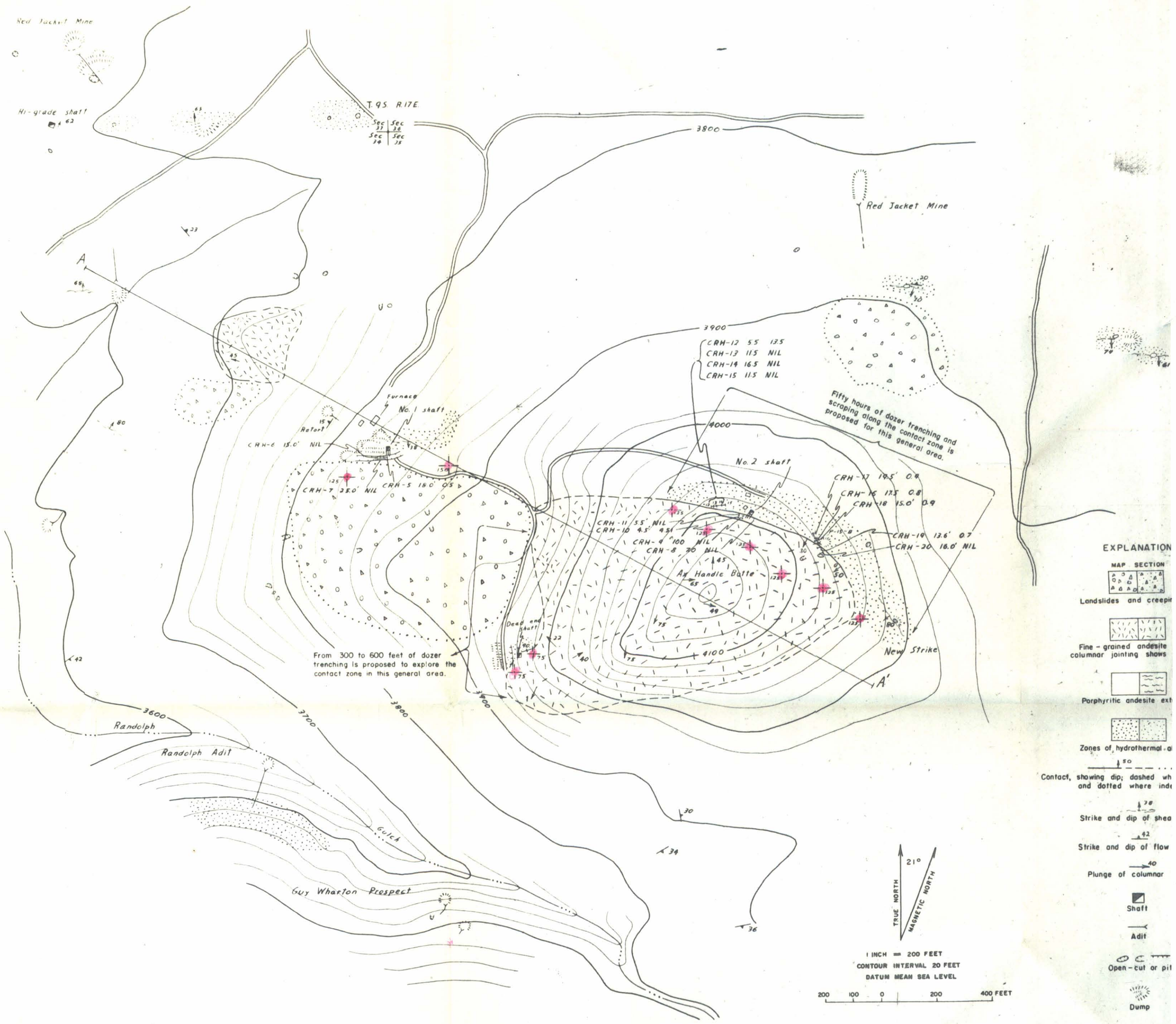
Date Delivered to Bureau of Mines, Washington 8/21/57

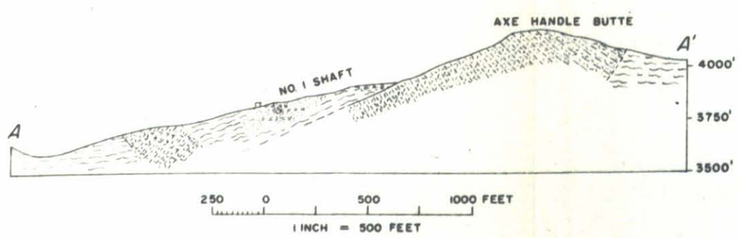
16418

UNITED STATES
DEPARTMENT OF THE INTERIOR

PREPARED FOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXAMINATION REPORT

DOCKET





1 INCH = 200 FEET
CONTOUR INTERVAL 20 FEET
DATUM MEAN SEA LEVEL

200 100 0 200 400 FEET

EXPLANATION

MAP SECTION

Landslides and creepi

Fine-grained andesite columnar jointing shows

Porphyritic andesite ext

Zones of hydrothermal al

Contact, showing dip; dashed wh and dotted where inde

Strike and dip of shea

Strike and dip of flow

Plunge of columnar

Shaft

Adit

Open-cut or pit

Dump

Proposed drill hole showi

ASSAYS

Sample No.	Length (feet)
CRH-7	25.0'

GEOLOGIC MAP OF THE AXE HANDLE MIN
HORSE HEAVEN DISTRICT
T. 9S., R.17E., W.M.
Jefferson County, Oregon

DNEA 4641

AFTER PLATE 36, BY R.E. BROWN AND G.W. WALKER, 1942.
BULL 969, UNITED STATES GEOLOGICAL SURVEY.