DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

RECEIVED FEB 13 1956

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

Vaughey and Vaughey, A Partnership Consisting of
E. A. Vaughey, W. M. Vaughey and W. T. Blackburn
1650 Denver Club Building
Denver, Colorado

pertaining to Exploration Project Contract No. Idm-8868, Docket No. DMEA-3730, including Amendment No. 1, for the months of October and November, 1955, covering a project for the exploration of Uranium on property known as Gertrude and Mike Claims located in Emery County, Utah.

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

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

(a) The administrative cost to the Government of an audit would be excessive in relation to the estimated amount of possible disallowances thereunder;

(b) the monthly reports were supported by documentary proof of the costs claimed under the contract provisions for contribution by the Government on the basis of actual costs incurred;

(c) a major portion of the costs incurred ($12,735.30) covered work performed at unit rates under independent contract; and

(d) the balance ($1,175.25) of the costs incurred were under a contract provision for payment by the Government on the basis of fixed unit costs for work actually performed.

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

Total cost as billed by Contractor:		$14,308.55
Exceptions: (schedule attached)		
By DMEA Finance Officer	$398.00	
Herewith	0.00	398.00
Total Accepted Cost		$13,910.55

The contract calls for a 75 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Ten thousand, four hundred thirty-two and 92/100ths Dollars
** $10,432.92 **
is considered valid and proper, provided that the Regional Executive Officer, the Administrator, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

February 8, 1956

T. H. Brading, Auditor

RECEIVED FEB 1

SCHEDULE OF EXCEPTIONS

VAUGHEY AND VAUGHEY | **DOCKET NO. EMSA-3730** | **CONTRACT ID4-E868**

Operator claimed 1,616 feet of core drilling @ $3.25 per foot	$5,246.00
Maximum allowed by contract: - 1,616 feet of core drilling at $3.00 per foot	4,848.00
Disallowed - Excess Cost	$ 398.00

Disallowance was made by the Finance Officer and approved by the Auditor.

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

FEB 15 1956

Mr. Thomas H. Bruding
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

Re: Report of Review
Idm-E868, DMEA-3730
Vaughey and Vaughey

Dear Mr. Bruding:

Receipt is acknowledged of your Report of Review covering the above-cited project.

The report is acceptable and normal distribution may be effected.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

WBorovies/wb
February 15, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

FINAL DISTRIBUTION
MADE APR 2 1956

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

224 New Customhouse
Denver 2, Colorado

March 15, 1956

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-3730 (Uranium), Contract Idm-E868 (Vaughey and Vaughey Ouray Ventures Property), Emery County, Utah - FINAL PAYMENT

Reference is made to our memorandum dated December 29, 1955, whereby we transmitted final Form MF-104, Operator's Monthly Report and Voucher for the month of November, 1955 and requested that the amount of $250.00 be withheld pending resolution of matters relative to closing the account.

The Operator's final report has been received, therefore we recommend that final payment be made on the following basis which is in conformance with the Report of Review of contract expenditures by the Contract Administration and Audit Division dated February 8, 1956, which was released to this office February 17, 1956.

Basis for Final Payment

Total accepted cost	$13,910.55
Government participation at 75 percent	10,432.92
Total prior payments	10,182.92
Balance due the operator	$ 250.00

W. M. TRAVER

W. M. Traver

JDC:jy
cc: MF-104 File E868
Sec. Op. Comm. (2)
Shaw (2)
Townsend
Chron.

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

RECEIVED
JAN 30 1956

Month of NOVEMBER, 1955 Docket No. DMEA 3730 Contract No. IDM 5868
Operator's Name VAUGHEY AND VAUGHEY Minerals URANIUM AND
Address 1650 DENVER CLUB BLDG., DENVER 2, COLO. VANADIUM
Contract Amount, $ 31,824 Government Participation: 75 % Amount, $ 23,868

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	$6852.90	$6184.40	$13,037.30	6,693.15	5,946.15	12,639.30
Bulldozing		96.00	96.00		96.00	96.00
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify): INCIDENTAL ALLOWANCE	729.75	445.50	1,175.25	729.75	445.50	1,175.25
TOTALS	$7582.65	$6725.90	$14,308.55	7422.90	6,725.90	14,148.80
				11	238.25	238.25
					6787.65	13910.55
					$5317.18	

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

Date DEC. 8, 1955 *Payee VAUGHEY AND VAUGHEY

Per Douglas V. Vaughey Title DOUGLAS V. VAUGHEY MINING ENGINEER

*When a voucher is signed on behalf 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:

Signature _____ (Authorized Certifying Officer)

Date 1/24/56 Vou. No. DMA 56-63

(See other side)

Note: 250.00 withheld

11 Previous disallowance

(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. Fdn-E868 in accordance with the terms of the contract.

Signature [illegible] (95.567.18) Title Mining Engineer Date 12/15/55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature [illegible] Title Executive Officer Date DEC 29 1955

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED
JAN 30 1956

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of NOVEMBER 1955 Docket No. DMEA 3730 Contract No. IDM E268
Operator's Name VAUGHEY AND VAUGHEY Minerals URANIUM AND
Address 1650 DENVER CLUB BLDG., DENVER 2, COLORADO VANADIUM

OPERATION	STAGE	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
CORE DRILLING	I	FT.	$1323.75	388	$5246.00	1616	$ 3.246	1230	$ 3.00
~~Crosscutting~~	II	FT.						750	
~~Raising~~	III	FT.						300	
PLUG DRILLING	I	FT.	5529.15	4477	7791.30	6219	1.253	5670	1.45
~~Winzes~~	II	FT.						6750	
~~Drilling: Core~~	III	FT.						2700	
BULL DOZING	I	HR.			96.00	8	12.00	8	12.00
~~Auger~~	II	HR.						9	
~~Stripping~~	III	HR.						3	
CHEMICAL ASSAY	I	EACH						18	5.00
~~Test Pits~~	II	EACH						17	
~~Roads and Trails~~	III	EACH						7	
INCIDENTAL ALLOWANCE		FT.	729.75	4865	1175.25	7835	0.15	17400	0.15
TOTAL DISTRIBUTED COSTS			$7582.65	9730	$14308.55				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased			NONE						
Initial Rehabilitation and Repairs			NONE						
New Buildings, Improvements, etc.			NONE						
			~~XXXXXXX~~		~~XXXXXXXXX~~				
TOTAL COSTS			$7582.65		$14,308.55				

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 DEC. 8, 1955 Operator VAUGHEY AND VAUGHEY

Per Douglas V. Watrous Title MINING ENGINEER

DOUGLAS V. WATROUS

REMARKS:

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

(Instructions on reverse)

(For Government use only) Carl Belon

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

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JAN 30 1956
FINAL DISTRIBUTION
MADE JAN 26 1956

U. S. DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
REGION III

Administrative Audit Difference Statement

Date: Jan. 23, 1956
Payee's
Reference: Dec. 1955

Vaughey & Vaughey
1650 Denver Club Bldg.
Denver 2, Colorado

Gentlemen:

Upon examination of the above Payee's Reference a difference was found which made it necessary to suspend your account accordingly:

Amount Claimed	$ 2,002.46
Difference	$ 152.75
Amount Approved	$ 1,849.68

The reason for the difference was due to:

Suspended:	Claimed - 131 ft. core drilling	$1,123.75
	Allowable cost per contract:	
	100 ft. core drilling @ $9.00 per ft.	$ 900.00
	Amount suspended	$ 152.75

Allowable: $850.00 pending final settlement of the account.

Any reclaim for deductions made above must be supported by the ORIGINAL of this form.

Very sincerely yours,

N. E. Stokes
Audit Section

R-III-B & F Form No. 4
4-15-52 D

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

RECEIVED
JAN 30 1956

ew Customhouse
er 2, Colorado

December 29, 1955

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: DMEA Docket 3730 (Uranium) Contract Idm-E868, Vaughey and Vaughey, Ouray Venture Property, Emery County, Utah - Operator's Monthly Progress Report for the period November, 1955

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

It is deemed that the Operator has complied with the intent of the contract, and the work for which payment is recommended is acceptable to the Government. Payment is recommended for 75 percent of the amount as reported on Form MF-104, contingent on your verification of the correctness of applicable rates and arithmetical accuracy of computations, except for the following deduction.

Suspend an amount of $159.75 for core drilling

Claimed by Operator: 388 feet core drilling at total cost of- - - - - - - - - - - - - - - - -	$1,323.75
Allowable cost per contract: 388 feet core drilling @ 3.00/ft, or - - - - - - - - - - - - -	1,164.00
Amount to be suspended- - - - - - - - - - - - -	$ 159.75

Withhold an amount of $250.00 pending final settlement of the account

Reconciliation with amount claimed on Form MF-104

Amount claimed by Operator- - - - - - - - -	$7,582.65
Amount suspended this report- - - - - - - -	159.75
Adjusted claim- - - - - - - - - - - - - - - - -	$7,422.90

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DEC 29 1955
AUDITS
BUREAU OF MINES
REGION III
DENVER, COLO.

Government Participation at 75 percent- - - - $5,567.18
Amount to be withheld- - - - - - - - - - - - - - 250.00

Recommended payment to Operator- - - - - - $5,317.18

Summary of Suspensions (No reinstatements)

Core Drilling

Amount previously suspended- - - - - - - - - -$238.25
Amount suspended this report- - - - - - - - - 159.75
Total suspended to date- - - - - - - - - - - - - $398.00

Plug Drilling

No suspensions

Remarks

Date of Report- - - - - - - - - - - - - - - December 8, 1955
Date Received in Field Office- - - - - - December 13, 1955
Date Received in Region Office- - - - - December 19, 1955

W. M. Traver

W. M. Traver

Enclosures
JDC:jy
cc: MF-104 File E868
Sec. Op. Comm. (2)
Shaw (2)
Townsend w/copy engr's report
Chron.

RECEIVED
JAN 30 1956
BUREAU OF MINES
Denver, Colorado

Building 20
Denver Federal Center
Denver 2, Colorado
December 15, 1955

REGION III

Memorandum

To: Executive Officer, DMEA Field Team, Region III

Through: John F. Shaw
Supervising Mining Engineer

From: Carl Belser

Subject: DMEA 3730, Contract Idm-2868 (Uranium) Ourey Ventura property, Vaughey and Vaughey, Emery County, Utah - Progress report for November, 1955

Drilling progress on the property was inspected on December 3, 1955. Stage I drilling had been completed and the crew and drilling equipment were gone. The following holes were completed in November:

Hole No.	Footage Plug-bit	Footage Cored	Footage Total	Remarks
#1	350	20	370	anomaly gray s.s.
#3	160	26	186	pinkish sandstone
#4	240	20	260	poor s.s.
#5	305	20	325	gray s.s.
#6	270	10	280	poor
#7	265	30	295	25 feet gray s.s. last 5 feet shale
#8	317	52	369	20 feet s.s.
#9	272	28	300	anomalie at 28¼' s.s. and mudstone
#10	350	30	380	some s.s.
#13	295	35	330	some s.s.
#14	285	20	305	6 feet s.s.
#15	363	20	383	coarse s.s.
#18	347	20	367	good s.s. last 4' shale
#19	378	27	405	18' gray s.s.
#21	280	30	310	mixed s.s. and s.s.
(November 15 Total)	4,477	388	4,865	
(Total drilled previously) 7	1,742	1,228	2,970	
(Total Stage I Drilling) 21	6,219	1,616	7,835	

The 5,065 feet "total depth" shown on Denver Exploration Company's statement should read 4,865 feet.

Core drilling costs have exceeded the maximum allowable $3.00 a foot as follows:

October, 1955	(1228 feet)	+$238.25
November, 1955	(388 feet)	+ 159.75
	total	+$398.00

Plug-bit drilling has run under the maximum allowable $1.45 a foot as follows:

October, 1955	(1742 feet)	- $863.75
November, 1955	(4477 feet)	- 962.50
	total	-$1826.25

The cost of 388 feet of core drilling at $3.00 a foot is $1,164.00, the cost of 4477 feet of non-core drilling at $1.235+ a foot is $5,589.15, and the incidental allowance for 4865 feet of drilling at $.15 a foot is $729.75, or a total of $7,422.90.

Payment of 75 percent of the above amount or $5,567.18 is recommended.

Carl Belser

Carl Belser
Mining Engineer

CB/mr
cc: 6
Ian-2868
Chron.

RECEIVED

JAN 30 1956

DECEMBER 8, 1955

MR. JOHN F. SHAW
DEFENSE MINERALS EXPLORATION ADMINISTRATION
UNITED STATES BUREAU OF MINES
ROOM 137, BUILDING 20
DENVER FEDERAL CENTER
DENVER 2, COLORADO

RE: PROJECT CONTRACT NO. IDM E-868
DOCKET DMEA 3730
OURAY VENTURES, EMERY COUNTY, UTAH

DEAR SIR:

FOLLOWING IS A NARRATIVE REPORT ON THE SUBJECT DRILLING CONTRACT FOR THE MONTH OF NOVEMBER, 1955, AND TO THE COMPLETION OF THE FIRST PHASE OF DRILLING.

DURING NOVEMBER, HOLES 1, 3, 4, 5, 6, 7, 8, 9, 10, 13, 14, 15, 18, 19, 21 WERE COMPLETED WITH 388 FEET CORED AND 4477 FEET PLUGGED. DRILLING WAS COMPLETED ON NOVEMBER 15, 1955.

HOLES 2, 3, AND 4 WERE FOUND TO BE INACCESSIBLE. DURING A VISIT BY AN EXAMINING TEAM REPRESENTING THE BUREAU OF MINES AND THE U.S.G.S., HOLES 3 AND 4 WERE RELOCATED AS INDICATED ON THE ACCOMPANYING MAP, AND HOLE 2 WAS ELIMINATED.

DRILL RESULTS ARE EVALUATED ON THE BASIS OF RADIOACTIVE ANOMALIES PRESENT, THICKNESS OF THE FAVORABLE SAND LENSE IN THE SALT WASH MEMBER, AND PRESENCE OF BLEACHING. ALL HOLES WERE PROBED BY THE USE OF A BABEL COUNTER PROBE AND ALSO BY A U.S.G.S. SCINTILLATOR PROBING UNIT. NO ANOMALIES OF ORE GRADE WERE FOUND. HOLES 1, 7, 9, 10, AND 14 ENCOUNTERED VERY WEAK MINERALIZATION IN THE FIRST OR SECOND SAND LENSE. HOLE 1 OF THE PREVIOUS DRILLING PROGRAM SHOWED 8 INCHES OF 9.22% U_3O_8 AT A DEPTH OF 245 FEET. THICKNESS OF THE FAVORABLE SAND LENSE VARIES CONSIDERABLY, FROM 20 TO 50 FEET. BLEACHING WAS GENERALLY PRESENT OVER THE ENTIRE PROPERTY.

FOR THE ABOVE CONSIDERATIONS, THE AREA INCLUDED BY HOLES 1, 7, 9, AND 10, AND HOLE 1 OF THE PREVIOUS DRILLING IS THE MOST FAVORABLE FOUND. I RECOMMEND THAT FUTURE DRILLING BE CONDUCTED ON THIS SECTION OF THE PROPERTY AND THAT DRILLING CENTERS BE REDUCED TO 300 FEET.

SINCERELY YOURS,

VAUGHEY AND VAUGHEY

BY: _____
PHILIP N. PAYNE, GEOLOGIST

APPROVED:

Douglas V. Watrous

DOUGLAS V. WATROUS
MINING ENGINEER

PNP:N
CC: MR. W. M. TRAVER
MR. M. H. SALSBURY
UNITED STATES URANIUM COMPANY
MR. JAMES P. SLOSS

RECEIVED
JAN 30 1956

Nov. 22, 1955

Vaughey & Vaughey Oil Company
1650 Denver Club Bldg.
Denver, Colorado

Gentlemen:

The following invoice covers both plug and core drilling on the Ouray Venture property, located in Emery County, Utah, from Nov. 1, 1955 to Nov. 15, 1955:

Hole No. 1 (Plug)

100 ft. @ $1.00	$100.00	
100 ft. @ 1.20	120.00	
100 ft. @ 1.45	145.00	
50 ft. @ 1.70	85.00	
350 ft.	$450.00	

(Core)

350 ft. to 370 ft.		
20 ft. @ $3.75		$ 75.00
		450.00
	TOTAL	$525.00

Hole No. 3 (Plug)

100 ft. @ $1.00	$100.00	
60 ft. @ 1.20	72.00	
160 ft.	$172.00	

(Core)

160 ft. to 186 ft.		
26 ft. @ $2.25		$ 58.50
		172.00
	TOTAL	$230.50

Hole No. 4 (Plug)

100 ft. @ $1.00	$100.00	
100 ft. @ 1.20	120.00	
40 ft. @ 1.45	58.00	
240 ft.	$278.00	

(Core)

240 ft. to 260 ft.		
20 ft. @ $3.00		$ 60.00
		278.00
	TOTAL	$338.00

Hole No. 5 (Plug)

100 ft. @ $1.00	$100.00	
100 ft. @ 1.20	120.00	
100 ft. @ 1.45	145.00	
5 ft. @ 1.70	8.50	
305 ft.	$373.50	

(Core)

305 ft. to 325 ft.		
20 ft. @ $3.75		$ 75.00
		373.50
	TOTAL	$448.50

Hole No. 6 (Plug)

100 ft. @ $1.00	$100.00	
100 ft. @ 1.20	120.00	
70 ft. @ 1.45	101.50	
270 ft.	$321.50	

(Core)

270 ft. to 280 ft.	
10 ft. @ $3.00	$ 30.00
	321.50
TOTAL	$351.50

Hole No. 7 (Plug)

100 ft. @ $1.00	$100.00	
100 ft. @ 1.20	120.00	
65 ft. @ 1.45	94.25	
265 ft.	$314.25	

(Core)

265 ft. to 295 ft.	
30 ft. @ $3.00	$ 90.00
	314.25
TOTAL	$404.25

Hole No. 8 (Plug)

100 ft. @ $1.00	$100.00	
100 ft. @ 1.20	120.00	
100 ft. @ 1.45	145.00	
17 ft. @ 1.70	28.90	
317 ft.	$393.90	

(Core)

317 ft. to 369 ft.	
52 ft. @ $3.75	$195.00
	393.90
TOTAL	$588.90

Hole No. 9 (Plug)

100 ft. @ $1.00	$100.00	
100 ft. @ 1.20	120.00	
72 ft. @ 1.45	104.40	
272 ft.	$324.40	

(Core)

272 ft. to 300 ft.	
28 ft. @ $3.00	$ 84.00
	324.40
TOTAL	$408.40

Hole No. 10 (Plug)

100 ft. @ $1.00	$100.00	
100 ft. @ 1.20	120.00	
100 ft. @ 1.45	145.00	
50 ft. @ 1.70	85.00	
350 ft.	$450.00	

(Core)

350 ft. to 380 ft.	
30 ft. @ $3.75	$112.50
	450.00
TOTAL	$562.50

Hole No. 13 (Plug)

100 ft. @ $1.00	$100.00	
100 ft. @ 1.20	120.00	
95 ft. @ 1.45	137.75	
295 ft.	$357.75	

(Core)

295 ft. to 300 ft. @ $3.00	$ 15.00
300 ft. to 330 ft. @ $3.75	112.50
35 ft.	$127.50
	357.75
TOTAL	$485.25

Hole No. 14 (Plug)

100 ft.	@ $1.00	$100.00
100 ft.	@ 1.20	120.00
85 ft.	@ 1.45	123.25
285 ft.		$343.25

(Core)

285 ft. to 300 ft. @ $3.00	$ 45.00
300 ft. to 305 ft. @ $3.75	18.75
20 ft.	$ 63.75
	343.25
TOTAL	$407.00

Hole No. 15 (Plug)

100 ft.	@ $1.00	$100.00
100 ft.	@ 1.20	120.00
100 ft.	@ 1.45	145.00
63 ft.	@ 1.70	107.10
363 ft.		$472.10

(Core)

363 ft. to 383 ft.	
20 ft. @ $3.75	$ 75.00
	472.10
TOTAL	$547.10

Hole No. 18 (Plug)

100 ft.	@ $1.00	$100.00
100 ft.	@ 1.20	120.00
100 ft.	@ 1.45	145.00
47 ft.	@ 1.70	79.90
347 ft.		$444.90

(Core)

347 ft. to 367 ft.	
20 ft. @ $3.75	$ 75.00
	444.90
TOTAL	$519.90

Hole No. 19 (Plug)

100 ft.	@ $1.00	$100.00
100 ft.	@ 1.20	120.00
100 ft.	@ 1.45	145.00
78 ft.	@ 1.70	132.60
378 ft.		$497.60

(Core)

378 ft. to 400 ft. @ $3.75	$ 82.50
400 ft. to 405 ft. @ $4.50	22.50
27 ft.	$105.00
	497.60
TOTAL	$602.60

Hole No. 21 (Plug)

100 ft.	@ $1.00	$100.00
100 ft.	@ 1.20	120.00
80 ft.	@ 1.45	116.00
280 ft.		$336.00

(Core)

280 ft. to 300 ft. @ $3.00	$ 60.00
300 ft. to 310 ft. @ $3.75	37.50
30 ft.	$ 97.50
	336.00
TOTAL	$433.50

TOTAL 15 Holes, 4,477 ft. plug, 388 ft. core. BALANCE DUE $6,852.90

DENVER EXPLORATION COMPANY

By Jack Hamilton
Asst. Mgr.

Approved
C. R. Watrous

Nov. 15, 1955

RECEIVED
JAN 30 1956

Vaughey & Vaughey Oil Company
1650 Denver Club Bldg.
Denver, Colorado

Gentlemen:

This is to certify that from Nov. 1, 1955 to Nov. 15, 1955, we completed the following drilling on you Ouray Venture property, located in Emery County, Utah, which is under D.M.E.A. Contract Number IDM - E 868:

Hole No.	Plug Footage	Core Footage	Total Depth
1	350 ft.	20 ft.	370 ft.
3	160	26	186
4	240	20	260
5	305	20	325
6	270	10	280
7	265	30	295
8	317	52	369
9	272	28	300
10	350	30	380
13	295	35	330
14	285	20	305
15	363	20	383
18	347	20	367
19	378	27	405
21	280	30	310
TOTAL 15 Holes	4,477 ft.	388 ft.	5,065 ft.

Yours sincerely,

DENVER EXPLORATION COMPANY

By Jack Houlton
Jack Houlton, Gen. Mgr.

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

Budget Bureau No. 42-R1036.5

RECEIVED
JAN 23 1956

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

Month of OCTOBER, 1955 Docket No. DMEA 3730 Contract No. IDM E 868
Operator's Name VAUGHEY AND VAUGHEY Minerals URANIUM AND
Address 1650 DENVER CLUB BLDG., DENVER 2, COLORADO VANADIUM
Contract Amount, $ 31,824 Government Participation: 75 % Amount, $23,868

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	$6184.40	-0-	$6184.40			
Bulldozing	96.00	-0-	96.00			
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
INCIDENTAL ALLOWANCE	445.50	-0-	445.50			
TOTALS	$6725.90		$6725.90	6,487.65		6,487.65

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

Date 11-7-55 *Payee VAUGHEY AND VAUGHEY

Per Philip N. Payne Title Geologist
PHILIP N. PAYNE GEOLOGIST

*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:

$ 4865.74

Signature [illegible]
(Authorized Certifying Officer)

Date 1/16/56 Vou. No. DMA 56-59

(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. Id-4-E865 in accordance with the terms of the contract.

Signature [illegible] (4,865.74) Title Mining Engineer Date 11/15/55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature [illegible] Title Acting Executive Officer Date DEC 12 1955

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

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JAN 23 1956

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of OCTOBER 195 Docket No. DMEA 3730 Contract No. IDM E 863
Operator's Name VAUGHEY AND VAUGHEY Minerals URANIUM AND
Address 1650 DENVER CLUB BLDG., DENVER 2, COLORADO VANADIUM

OPERATION	STAGE	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
CORE DRILLING									
Drifting	I	FT.	$3922.25	1220	$3922.25	1220	$ 3.194	1230	$ 3.00
Crosscutting	II	FT.						750	
Raising	III	FT.						300	
BLUB DRILLING									
Shafts	I	FT.	2262.15	1742	2262.15	1742	1.298	5070	1.45
Winzes	II	FT.						6750	
Drilling: Core	III	FT.						2700	
BULL DOZING									
Churn	I	HR.	96.00	8	96.00	8	12.00	8	12.00
Auger	II	HR.						9	
Stripping	III							3	
CHEMICAL ASSAY									
Trenching	I	EACH						10	5.00
Test Pits	II	EACH						17	
Roads and Trails	III	EACH						7	
INCIDENTAL ALLOWANCE		FT.	445.50	2970	445.50	2970	0.15	17400	0.15
TOTAL DISTRIBUTED COSTS			$6725.90		$6725.90				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased			NONE						
Initial Rehabilitation and Repairs			NONE						
New Buildings, Improvements, etc.			NONE						
TOTAL COSTS			$6725.90		$6725.90				

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 Nov. 7, 1955 Operator VAUGHEY AND VAUGHEY

Per Philip N. Payne Title Geologist
PHILIP N. PAYNE GEOLOGIST

REMARKS:

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

(Instructions on reverse)

(For Government use only) Carl Belan

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.

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JAN 23 1956

FINAL DISTRIBUTION
JAN 19 1956
MADE

U. S. DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
REGION IV

Administrative Audit Difference Statement

Date: [illegible]
Payee's
Reference: [illegible]

[illegible]
[illegible] Beaver Club Bldg.
Denver 2, Colorado

Contractor

Upon examination of the above Payee's Reference a difference was found which made it necessary to suspend your account accordingly:

Amount Claimed $[illegible]

Difference $[illegible]

Amount Approved $[illegible]

The reason for the difference was due to:

According [illegible], the amount by which the office who certifies cost is overstated for 1,[illegible] sq. of core drilling. All or part of this amount is subject to reimbursement if subsequent tests of core drilling costs are under section allowed by the contract [illegible].

Any reclaim for deductions made above must be supported by the ORIGINAL of this form.

Very sincerely yours,

N. E. Stokes
Audit Section

R-IV-B & F Form No. 4
4-15-52 D

Building 20
Federal Center
Denver 2, Colorado
December 1, 1955

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JAN 23 1956

REGION III

Memorandum

To: Executive Officer, DMEA Field Team, Region III

Through: John F. Shaw
Supervising Mining Engineer

From: Carl Reiser

Subject: DMEA 3730, Contract Iam-2868 (Uranium) Ouray Ventures Property, Vaughey and Vaughey, Emery County, Utah
Progress report for October 1955

Drilling progress was inspected on November 3, 1955. The applicant's independent contractor, Denver Exploration Company, was using a Mayhew 1,000 rig with a chain pulldown. The following holes were completed in October:

Hole No.	Footage Mayhew bit	Footage Cored	Total Footage	Remarks
11	0	432	432	
12	335	74	409	391.5'-394' coarse, pebbly s.s.
16	345	41	386	
17	355	38	393	
20	252	63	315	293'-315' dropped core
22	0	558	550	cored 50' into Summerville,
23	455	30	485	
7	1742	1228	2970	

The following holes were also drilled or being drilled on November 3:

8	317	50	367	slight uranium mineralization
21	310			no core-will finish drilling
9	70			

Phillip H. Paine, geologist for the applicant, and Howard F. Albee and Henry B. Dyer, USGS geologists, accompanied the writer on the inspection. Holes 2, 3 and 4 were also inspected with a view to relocationing.

The narrative report and the 104's are at variance. In 104A 1225 feet of coring is shown, while in the narrative it is 1236. The figure, 1236 checks with my inspection records, but not with the driller's accounts.

Your attention is called to the contract. In Stage I, under General Provisions, 2, holes 11 and 22 are to be cored for their entire depth, a total of 982 feet. The entire coring footage alotted for the 22 holes (23 formerly) is 1230 feet or 248 feet for the remaining 20 holes (12 feet per hole) - not enough to explore the 30-foot sandstone mentioned in the first paragraph of Exhibit "A". Also the claimed coring footage for October is only 2 feet less than the 1230 feet in the contract and the actual footage is 5 feet more. It will also be noticed on the 104's that the core drilling has been claimed at $3.194 a foot instead of $3.00 and the plug bit drilling at $1.298 + instead of $1.45 a foot.

The cost of 1225 feet of core drilling at $3.00 a foot is $3,684.00, of 1742 feet of plug bit drilling at $1.298+ foot is $2,262.15, of 8 hours of bulldozing at $12.00 per hour is $96.00, and of 2970 feet of incidental drilling allowance at $.15 a foot is $445.50 or a total of $6,487.65.

Payment of 75 percent of the above amount or $4,865.74 is recommended.

The drill logs have been retained in this office.

Carl Belzer
Carl Belzer
Mining Engineer

CB/mw
cc 6
Idm-886A
Chron.

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

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JAN 23 1956

224 New Customhouse
Denver 2, Colorado

December 12, 1955

Memorandum

To: T. A. Christensen

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

Subject: DMEA Docket 3730, (Uranium) Contract Idm-E868, Vaughey and Vaughey, Ouray Ventures Property, Emery County, Utah. Operator's Monthly Progress Report, for the period October, 1955

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

It is deemed that the Operator has complied with the intent of the contract, and the work for which payment is recommended is acceptable to the Government. Payment is recommended for 75 percent of the amount as reported on Form MF-104, contingent on your verification of the correctness of applicable rates and arithmetical accuracy of computations, except for the following deductions.

Suspend $238.25, the amount by which the allowable maximum cost is exceeded for 1,228 feet of core drilling. All or part of this amount is subject to reinstatement if subsequent Stage I core drilling costs are under the maximum allowed by the contract on a unit basis.

Remarks

Date of Report- - - - - - - - - - - - - - - - November 7, 1955
Date Received in Field Office- - - - - - - November 15, 1955
Date Received in Region Office- - - - - - December 9, 1955

E. M. Harshman

E. M. Harshman

Enclosures
JDC:jy
cc: MF-104 File E868
Sec. Op. Comm. (2)
Shaw (2)
Townsend w/copy engr's. report
Chron.

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JAN 23 1956

NOVEMBER 2, 1955

MR. JOHN F. SHAW
DEFENSE MINERALS EXPLORATION ADMINISTRATION
UNITED STATES BUREAU OF MINES
ROOM 137, BUILDING 20
DENVER FEDERAL CENTER
DENVER 2, COLORADO

RE: PROJECT CONTRACT NO. IDM E-868
DOCKET DMEA 3730
OUR OURAY VENTURES PROPERTY
EMERY COUNTY, UTAH

DEAR SIR:

FOLLOWING IS A NARRATIVE REPORT ON THE SUBJECT DRILLING CONTRACT FOR THE MONTH OF OCTOBER, 1955:

DRILLING COMMENCED ON OCTOBER 6, 1955, WHEN ONE FAILING 1000 ROTARY DRILLING RIG ENTERED THE PROPERTY. A SECOND RIG OF THE SAME MAKE WAS ADDED ON OCTOBER 9, 1955. THROUGH THE END OF THE MONTH SEVEN HOLES HAVE BEEN COMPLETED WITH 1,236 FEET CORED (SIZE NX) AND 1742 FEET PLUGGED.

ON OCTOBER 7, 1955, A D6 BULLDOZER WAS CONTRACTED AND PERFORMED EIGHT HOURS OF WORK BUILDING ACCESS ROADS TO DRILL SITES.

DRILL SITES WERE PLACED BY A TRANSIT TRAVERSE AND ELEVATIONS CARRIED FROM NE CORNER SECTION 3.

CUTTINGS SAMPLES ARE TAKEN EVERY 2 FEET. CORE IS BOXED, LABELED, LOGGED, AND STORED FOR FUTURE REFERENCE. ON COMPLETION OF A HOLE, EACH IS PROBED BY A BARREL COUNTER AND PROBE ATTACHMENT. SOME DIFFICULTY WAS EXPERIENCED IN CORING AT THE BEGINNING. SEVERAL RUNS LOST OR FRACTURED CORE (HOLES #23 AND #20). THIS TROUBLE HAS BEEN OVERCOME AND OVERALL RECOVERY PRESENTLY EXCEEDS 90%.

AS SHOWN IN THE ACCOMPANYING INDIVIDUAL DRILL LOGS, HOLES #22 AND #11 WERE CORED FROM THE SURFACE AND BOTTOMED IN THE SUMMERVILLE FORMATION. A MAXIMUM THICKNESS OF 270 FEET OF BRUSHY BASIN WAS CORED AND AN AVERAGE OF 215 FEET OF THE SALT WASH MEMBER ENCOUNTERED.

SAND LENSES IN THE SALT WASH ARE FOUND TO BE VERY VARIABLE IN THICKNESS AND POSITION. THESE ARE EASILY LOCATED WHILE DRILLING

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BY THE CUTTINGS AND A DISTINCT DIFFERENCE IN DRILLING CHARACTERISTICS.

IN THE NORTHEAST PORTION OF THE PROPERTY, SAND LENSES WERE OFTEN ABSENT OR THIN AND UNCARBONACEOUS IN THE UPPER PART OF THE SALT WASH. THIS CONDITION LED TO DEEPER DRILLING IN ORDER TO CORE A MORE FAVORABLE ZONE. IT IS ANTICIPATED THAT FUTURE HOLES WILL BE SOMEWHAT SHALLOWER.

NONE OF THE HOLES COMPLETED TO DATE HAVE SHOWN SIGNIFICANT MINERALIZATION.

SINCERELY YOURS,

VAUGHEY AND VAUGHEY

BY: _____
PHILIP N. PAYNE
GEOLOGIST

PNP:N

APPROVED:

Douglas V. Watrous

DOUGLAS V. WATROUS
MINING ENGINEER

CC: MR. W. M. TRAVER, U.S.B.M., DENVER, COLORADO
MR. M. H. SALSBURY, U.S.B.M., GRAND JUNCTION, COLORADO
U. S. URANIUM COMPANY
MR. JAMES P. SLOSS
VAUGHEY AND VAUGHEY, JACKSON, MISSISSIPPI

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JAN 23 1956

Oct. 31, 1955

Vaughey & Vaughey Oil Company
1650 Denver Club Bldg.
Denver, Colo.

Gentlemen:

The following invoice covers both plug and core drilling on the Ourey Venture property in Emery County, Utah as of Oct. 31, 1955.

Hole No. 1, (cored)

0 feet to 100 feet,	@ 1.75 per foot	100 feet ✓	$175.00
100 " to 200 feet,	@ 2.25 per foot	100 feet ✓	225.00
200 " to 300 feet,	@ 3.00 per foot	100 feet ✓	300.00
300 " to 400 feet,	@ 3.75 per foot	100 feet ✓	375.00
400 " to 500 feet,	@ 4.50 per foot	100 feet ✓	450.00
500 " to 550 feet,	@ 5.25 per foot	50 feet ✓	262.50
Total		550 feet	$1,787.50

Hole No. 2, (cored)

0 feet to 100 feet,	@ 1.75 per foot	100 feet ✓	$ 175.00
100 " to 200 feet,	@ 2.25 per foot	100 feet ✓	225.00
200 " to 300 feet,	@ 3.00 per foot	100 feet ✓	300.00
300 " to 400 feet,	@ 3.75 per foot	100 feet ✓	375.00
400 " to 500 feet,	@ 4.50 per foot	32 feet ✓	144.00
Total		432 feet	$1,219.00

Balance $3,006.50

(PAGE TWO)

Hole No. 23 (Plug)

0 feet to 100 Ft.	100 Ft. @$1.00	$100.00	455 ft. to 485 ft.	
100 feet to 200 Ft.	100 Ft. @ 1.20	120.00		
200 feet to 300 Ft.	100 Ft. @ 1.45	145.00	30 ft. @$4.50	$135.00
300 feet to 400 Ft.	100 Ft. @ 1.70			
400 feet to 455 Ft.	55 Ft. @ 1.95	107.25		642.25
TOTAL	455 Ft.	$642.25		$777.25

Hole No. 20

0 feet to 100 Ft.	100 Ft @ $1.00	$100.00	252 to 300 Ft.	
100 feet to 200 Ft.	100 Ft. @ 1.20	120.00	48 Ft. @ $3.00	$ 144.00
200 feet to 252 Ft.	52 Ft. @1.45	75.40		
	252 Ft.	$295.40	300 to 315 Ft.	
			15 Ft. @ $3.75	56.25
				$200.25
				295.40
			TOTAL	$495.65

Hole No. 16 (Plug)

0 feet to 100 Ft.	100 Ft. @ $1.00	$100.00	345 Ft. to 386 Ft.	
100 feet to 200 Ft.	100 Ft. @ 1.20	120.00	41. Ft. @ $3.75	$ 153.75
200 feet to 300 Ft.	100 Ft. @ 1.45	145.00		
300 feet to 345 Ft.	45 Ft. @ 1.70	76.50		441.50
	345 Ft.	$441.50	TOTAL	$595.25

Hole No. 17 (Plug)

0 feet to 100 Ft.	100 Ft. @ $1.00	$100.00	355 Ft. to 393 Ft	
100 feet to 200 Ft.	100 Ft. @$1.20	120.00	38 Ft. @ $3.75	$142.50
200 feet to 300 Ft.	100 Ft. @ $1.45	145.00		
300 feet to 355 Ft.	55 Ft. @ $1.70	93.50		458.50
	355 Ft.	$458.50	TOTAL	$601.00

$ 777.25
495.65
595.25
601.00
$2,469.15

(PAGE THREE)

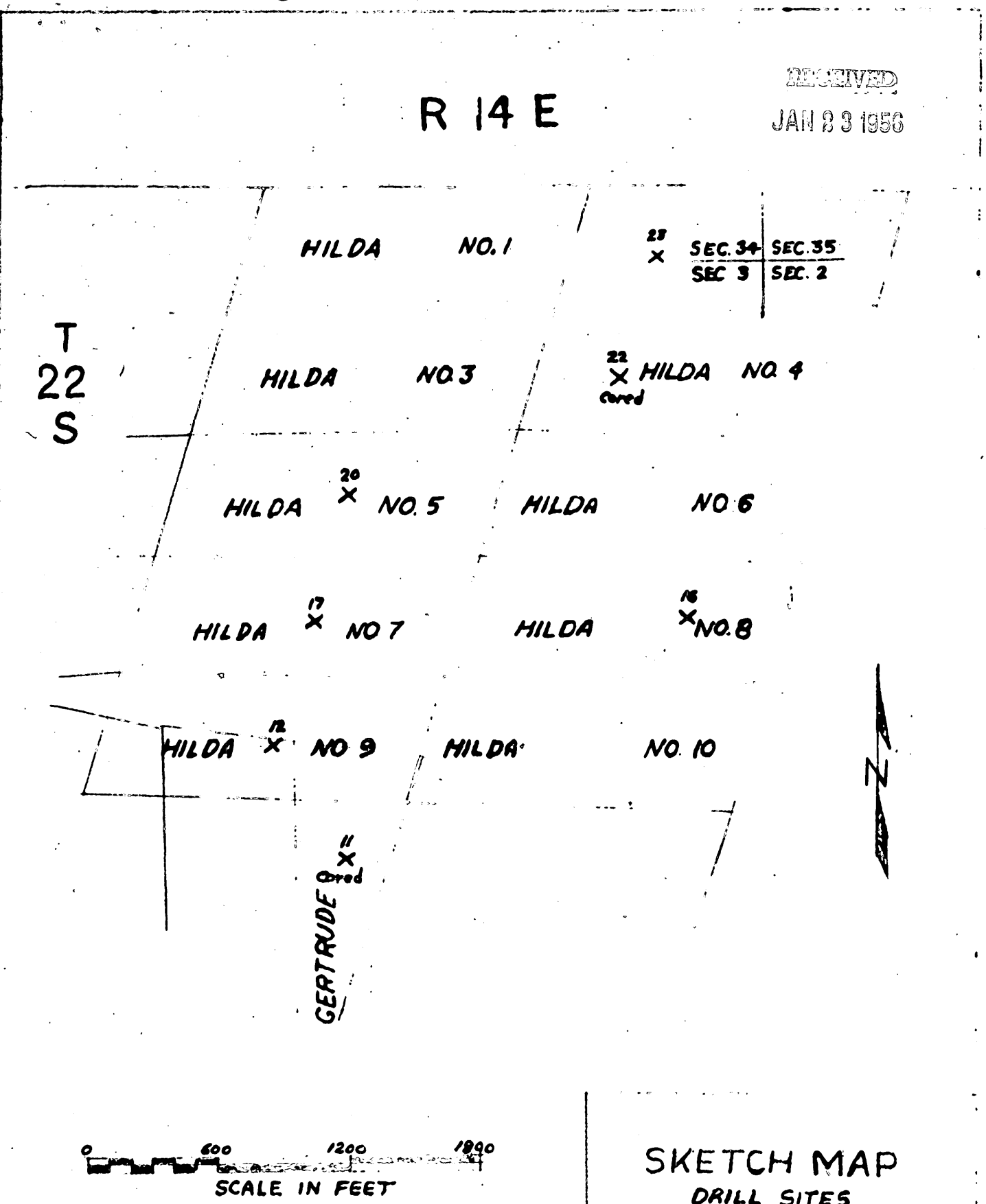
Hole No. 12 (Plug)				(Core)	
0 feet to 100 Ft.	100 Ft. @	$1.00	$100.00	335 Ft. to 400 Ft.	
100 feet to 200 Ft.	100 Ft. @	1.20	120.00	65 Ft. @ $3.75	243.75
200 feet to 300 Ft.	100 Ft. @	1.45	145.00		
300 feet to 335 Ft.	35 Ft. @	1.70	59.50	400 Ft. to 409 Ft.	
	335 Ft.		$424.50	9 Ft. @ $4.50	40.50
					$284.25
					424.50
				TOTAL	$708.75

Total Page (One)	$3,008.50
Total Page (Two)	2,409.15
Total Page (Three)	708.75
	$6,184.40

Approved - Vaughey & Vaughey
By: D. V. Watrous
4 Nov. 1955

D. V. Watrous

RECEIVED
JAN 23 1956



SKETCH MAP
DRILL SITES
11, 12, 16, 17, 20, 22, 23

700

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

Vaughey and Vaughey
1650 Denver Club Building
Denver 2, Colorado

Re: Docket No. DMEA-3730 (Uranium)
Contract No. Idm-868
Gurey Ventures Property
Kerry County, Utah

Gentlemen:

Reference is made to your terminated 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.

Your interest in the DMEA exploration program and participation therein are fully appreciated.

Sincerely yours,

C. O. Mittendorf

Administrator

FMurphy/iam 5;1;56
cc to: Messrs. Paul Alex, Jewel Guldenman, Angelo Canetti, & Fred Canetti
d/b/a Gurey Ventures, Gurey, Colorado
Docket
Code 700
Mr. Murphy
Admr.'s Reading File
Mr. Johnson
DMEA Field Team, Reg. III (2)
Contract Admr. & Audit Div.
Messrs. JECrawford, Rm. 3643
THKillegaard, Rm. 5224
J Rested, Rm. 3238, DEA

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

224 Bar Customhouse
Denver 2, Colorado CERTIFIED MAIL December 23, 1955

Vaughey and Vaughey,
A Partnership which consists
of E. A. Vaughey, W. H. Vaughey,
and W. F. Blackburn,
1650 Denver Club Building,
Denver 2, Colorado

Re: Docket DMEA 3730 (Uranium)
Contract Idm-[illegible]
Vaughey and Vaughey,
Emery County, Utah

Gentlemen:

Reference is made to your letter of November 29, 1955, wherein you request the Government's approval of drilling to be performed under Stage II of Contract Idm-[illegible].

Work approved by the Defense Minerals Exploration Administration must, in its judgment, show definite promise of yielding materials of acceptable grade in quantities that will significantly improve the mineral supply position for the National Defense program.

Study of the results of the work performed under Stage I indicates that the probability of disclosing a significant quantity of uranium ore of acceptable grade is not sufficiently promising to justify Government participation in the costs of work you propose for Stage II. Therefore your request is denied.

Inasmuch as all approved work has been completed and as the Government's approval of additional work will not be forthcoming, this constitutes notice that the contract is terminated and all obligations of the Government to participate in the costs of the work under the terms of the Contract ceased upon completion of the work authorized under Stage I.

In conjunction with the foregoing, your attention is directed to the provisions of Article 7(c) of the Contract relative to your rendering a final engineering and geologic report relative to the work performed under Stage I.

Very truly yours,

JWF:pcl
cc: Chairman, Spec. Comm. (4)
Finance Office, Region III
Amendment file
Harshman
Wilson
Bailey
Tovenend Corres. file Chron.

DMEA Field Team, Region III

By E. M. Harshman
E. M. Harshman
Acting Executive Officer

MINERAL DEPOSITS
DMEA
RECEIVED
DEC 16 1955
U. S.
GEOLOGICAL SURVEY
DENVER, COLORADO

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

December 12, 1955

Memorandum

To: E. N. Harshman, DMEA Field Team, Region III

From: J. William Hasler

Subject: DMEA 3730, Vaughey and Vaughey,
Recommendation for termination of contract Idm-E 6868

DMEA
Date Rec'd.
DEC 19 1955
BUREAU OF MINES
Denver, Colorado

On September 6, 1955, a contract was granted between the Government (DMEA) and the partnership of Vaughey and Vaughey. This contract provides for three stages of exploratory drilling. The contract provides for a total maximum footage of 17,400 feet.

Stage I drilling was completed recently, and a request was made on November 29, 1955, to start second stage drilling. The applicant requested a total of 4,860 feet of drilling around holes Nos. 1, 7, 9, and 10, which were drilled on stage I.

We have evaluated the results of stage I drilling and have come to the conclusion that further exploration on the subject property cannot be justified geologically. The following observations were pertinent in reaching this decision:

1. Of the 23 holes drilled, none encountered mineralized material by USGS cutoffs (i.e. ~~>0.20%~~ >0.020% eU_3O_8).

2. The data obtained from logging the drill core and cuttings are not complete in all cases, but an evaluation of all data obtained reveals that of the 23 holes drilled, 22 are considered unfavorable because of the thinness of the sandstone units and the abundance of red mudstone associated

with the sandstone. The other, hole No. 1, may have penetrated a favorable type sand, but this is unknown because the coring started in the sand unit.

3. Outcrop data and data obtained from adjacent properties indicate that the area is not considered to be favorable for the occurrence of significant ore deposits.

In summary, it is concluded that sufficient drilling has already been done to indicate that areas of favorable ground which may contain significant ore deposits do not occur on the subject property. It is recommended that the contract be terminated immediately.

J. William Hasler

J. William Hasler,
Geologist

JWH/mlr

RECEIVED
JAN 3 1956

EXPLORATION PROJECT CONTRACT
VAUGHEY AND VAUGHEY
DOCKET NO. DMEA-3730
CONTRACT NO. IDM-E868 AMENDMENT NO. 1

It is agreed this 7th day of November, 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Vaughey and Vaughey, a partnership consisting of E. A. Vaughey, W. M. Vaughey and W. T. Blackburn, hereinafter called the "Operator," parties to that certain Exploration Project Contract No. Idm-E868, Docket No. DMEA-3730, dated September 6, 1955, hereinafter called the "Contract," that:

In lieu of drilling 23 holes as stipulated in Exhibit "A" under Stage I of the work only 22 holes will be drilled. Hole No. 2 on the "Mike No. 7" claim, as shown on the map, "Figure 2" attached to the contract, will not be drilled because of difficult terrain conditions.

It is further agreed that: Instead of drilling holes Nos. 3 and 4 at the locations shown on the map, "Figure 2" attached to the contract, the holes will be drilled at the locations as shown on the map entitled "Map of Part of the Gertrude and Mike Claims Vaughey and Vaughey Property Emery Co. Utah Showing Proposed Changes in Drill Hole Locations" which is attached hereto and made a part of this amendment.

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, the fixed or agreed unit cost of any item of work, nor any item of allowable cost which is expressly designated "allowable maximum."

Executed in sextuplet the day and year first above written.

VAUGHEY AND VAUGHEY, a partnership

By _____
E. A. Vaughey, partner

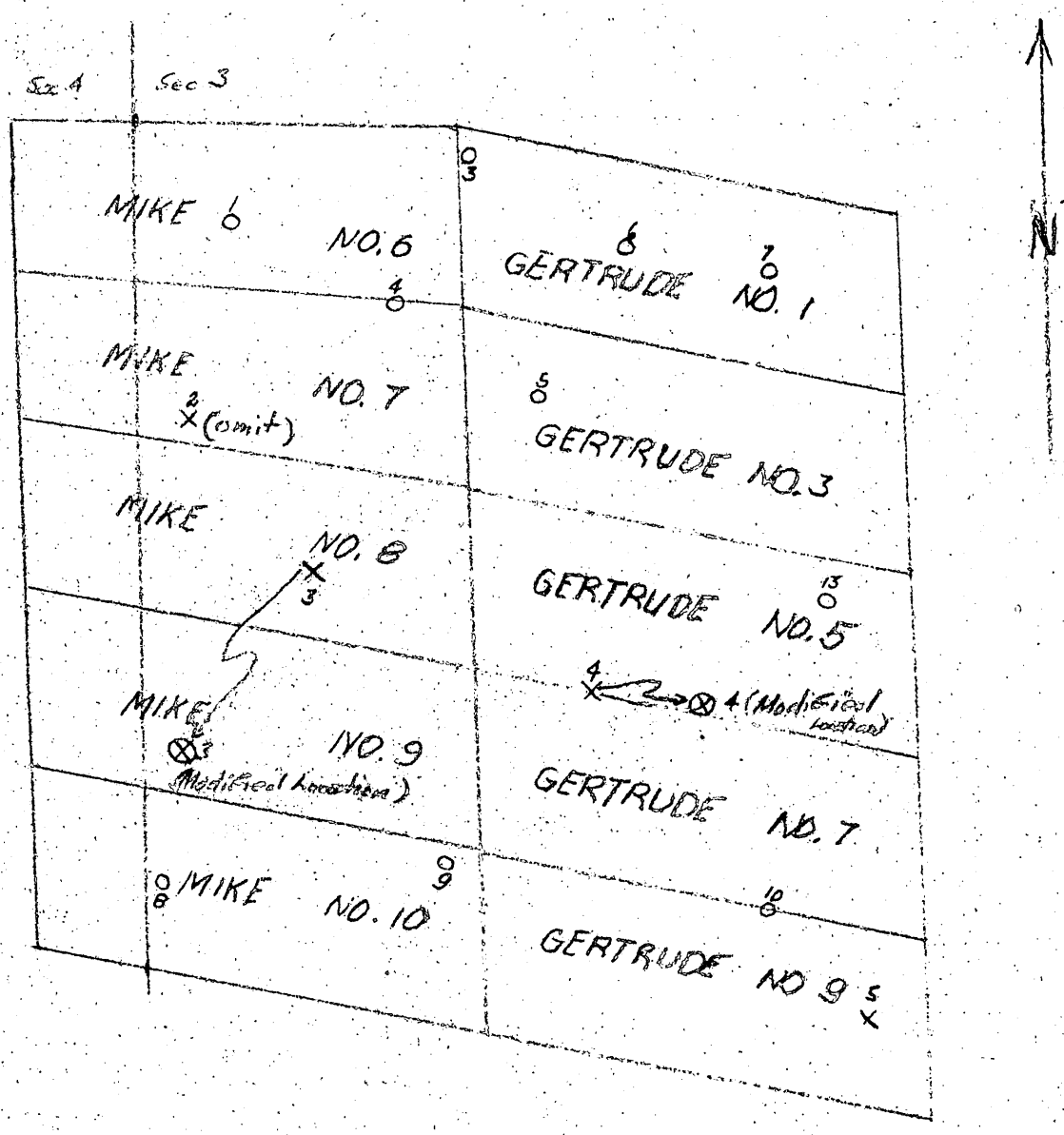
By _____
W. M. Vaughey, partner

By _____
W. T. Blackburn, partner

UNITED STATES OF AMERICA

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

DMEA Docket No 3730
Control No IDM-E868



Map of Part of Her Gertrude & Mike Claims
Vaubey & Vaubey Property Emery Co, Utah
Showing Proposed Changes in Drill hole Locations

0 600 Ft. 1200 Ft.
scale

6 Hole Already Drilled
4 Proposed drill hole

⊗ Modified position of Proposed drill hole (arrow shows change in location)

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

224 New Customhouse
Denver 2, Colorado

December 8, 1955

Vaughey and Vaughey
1650 Denver Club Building
Denver 2, Colorado

Attention: Mr. W. T. Blackburn

Re: Docket DMEA 3730 (Uranium)
Contract Dm-2868

Gentlemen:

In reference to your letter of October 18, 1955, regarding the relocation of holes Nos. 2, 3, and 4, and approval for the transfer of core drilling footage from Stage II to Stage I, you are advised as follows:

An Amendment will be prepared to authorize that hole No. 2 be deleted from Stage I drilling and establish a new location for the drilling of holes Nos. 3 and 4.

Consistent with the provisions in Exhibit "A" attached to Contract Dm-2868, regarding the possible deficiency in footage for Stage I drilling, this constitutes confirmation of the Government's verbal approval of November 7, 1955, for you to transfer 386 feet of core drilling and 549 feet of plug drilling footage from Stage II to Stage I to complete the twenty-two (22) holes to be drilled under Stage I.

Nothing in this letter shall be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute under the terms of the Contract, nor the fixed unit cost of any item of work.

Very truly yours,

E. H. Harshman

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

JWT:yel
cc: Chairman, Oper. Comm. (4)
Finance Office, Region III
Harshman
Shaw (2)
Hasler
Townsend
Amend. file
Corres. file
Chron.

MINERAL DEPOSITS
DMEA
RECEIVED
DEC 5 1955
U. S.
GEOLOGICAL SURVEY
DENVER, COLORADO

UNITED STATES
DEPARTMENT OF THE INTERIOR
Geological Survey
Colorado Plateau District
P. O. Box 360
Grand Junction, Colorado

Memorandum

December 1, 1955

To: Executive Officer DMEA Field Team Region III

From: M. H. Salsbury
J. William Hasler

Through: E. N. Harshman
John F. Shaw

Subject: DMEA 3730 (Uranium) Contract Idm E868 Vaughey and Vaughey, Emery County, Utah - Recommendations on operators request for amendment to contract.

The operator has requested an amendment to the subject contract to move the location of proposed drill holes Nos. 2, 3 and 4, and to convert certain Stage II drilling footage to Stage I. The request was dated October 18, 1955.

Field inspections were made by DMEA inspecting teams on November 3 and November 15-16, 1955.

The proposed relocation of drill holes was considered during the November 3 inspection. The operator's representative in the field, Philip Payne, requested relocation of holes Nos. 3 and 4, and that the footage assigned to hole No. 2 be used for other Stage I holes. New locations were made in the field by Payne and the DMEA inspectors. They are shown on the accompanying figure.

Contract terms provide that an average of thirty feet per hole be cored. It has been found in drilling done to date that the ore bearing sandstone is up to 80 feet in thickness. It is the opinion of the operator, concurred in by the DMEA representatives, that the full thickness of the ore bearing sandstone should be cored. As of November 1, 1955 a total of 230 feet had been used in coring 5 holes, not counting holes 11 and 22 which were cored throughout. A total of 1180 feet of the 1230 feet of coring permitted in Stage I had been used at the time of the November 3 inspection.

These facts were verified by the inspecting team, and it is recommended that footage from Stage II be transferred to Stage I, as provided in the contract, so as to permit coring the full thickness of the ore bearing sandstone. The amount of coring footage required to finish Stage I is not known. It appears that non-core footage in Stage I will be sufficient. If the transfer of footage from Stage II to Stage I can be made without designating a definite amount, it is believed that no amendment is required.

It has been recommended that approval be given for relocation of proposed holes Nos. 3 and 4, as requested by the operator on October 18, 1955, but that hole No. 2 be deleted. It is believed that an amendment to the contract may be required.

Verbal approval for the relocations of holes was given by the Field Team Region III on November 4, 1955 by phone, and the Denver office was requested by teletpye on November 7, 1955 to so notify the operator in Denver.

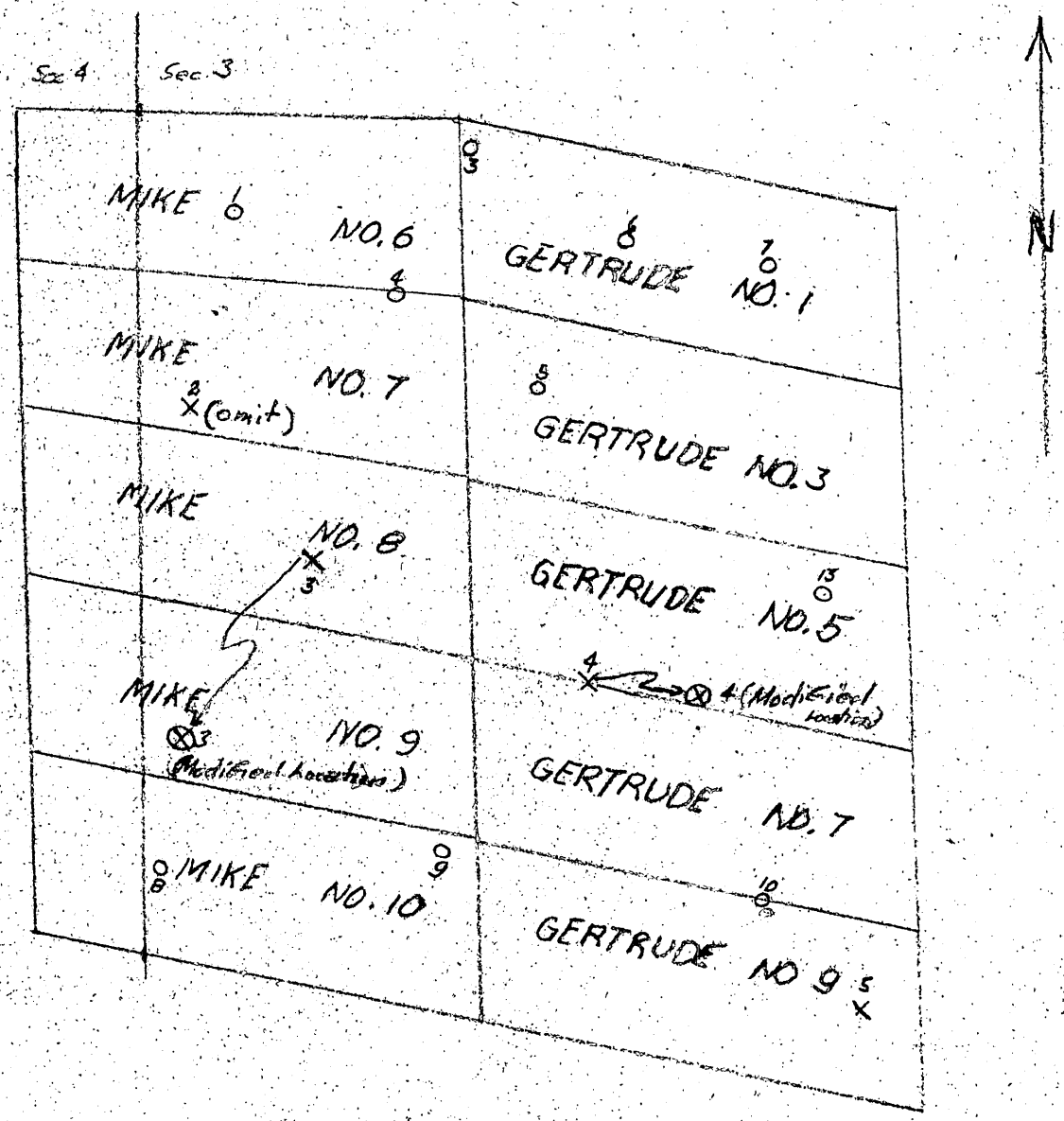
M. H. Salsbury by JWH

M. H. Salsbury
Mining Engineer

J. William Hasler

J. William Hasler
Geologist

DMEA Project No 3730
Contract No IDM-E868



Map of Part of the Gertrude & Mike Claims
Vaughn & Vaughn Property Emery Co, Utah
Showing Proposed Changes in Drill Hole Locations

0 — 600 Ft. — 1200 Ft.
Scale

6 Hole Already Drilled
4 X Proposed drill hole

⊗ Modified position of Proposed drill hole (arrow shows change in location)

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

October 2[illegible], 1955

Memorandum

To: The Active Officer, Mid-Field Team, Region III

From: J. William Hasler and M. H. Salisbury

Subject: [illegible] 3/57 (Uranium), Vaughn and Vaughn, Emery County, Utah
Contract Ind-E [illegible]

In answer to your request of October 2[illegible] for recommendations concerning the operator's request to move the location of certain stage 2 drill holes, this matter has been discussed between Mr. Salisbury and myself and it is our opinion that the request for the relocation of the drill holes in the above-mentioned contract should be denied and that the problem be studied further after an examination in the field by either a representative of the Bureau of Mines or the Geological Survey. This examination will be done at the time of the regular monthly inspection of the contract Ind-E [illegible].

F M Byers, Jr.
For J. William Hasler
Geologist USGS

GWalker
For M. H. Salisbury
Engineer USGS

JWH:mlr

cc: E. N. Harshman

VAUGHEY AND VAUGHEY
OIL PRODUCERS

[illegible]
[illegible]

OCTOBER 18, 1955

[illegible]
[illegible]

[illegible]
[illegible]

MR. W. W. TRAVER
UNITED STATES BUREAU OF MINES
NEW CUSTOMHOUSE
DENVER, COLORADO

DEAR MR. TRAVER:

REGARDING THE DMEA CONTRACT NUMBER IDM [illegible] (NEW MEXICO), APPLICATION NUMBER 3730, AS OF MONDAY MORNING, OCTOBER [illegible], WE HAVE, IN ACCORDANCE WITH THE CONTRACT, COMPLETED PLUG HOLE NUMBER 23 TO A TOTAL DEPTH OF 485'. THIS HOLE HAS CORED BETWEEN THE DEPTHS OF 455' AND 485'. SLIGHT MINERALIZATION NOTED FROM LOGGING BETWEEN THE DEPTHS OF 455' AND 475'.

CORE HOLE NUMBER 22 IS CORING AT 400' AND HAS AN INDICATED TOTAL DEPTH OF 500'.

CORE HOLE NUMBER 11 WILL BE THE NEXT HOLE CORED, AND HAS AN INDICATED DEPTH OF 400'.

PLUG HOLE NUMBER 21 WILL BE THE NEXT PLUG HOLE DRILLED, AND HAS AN INDICATED DEPTH OF AROUND 320'.

IN VIEW OF THE FACT THAT OUR CONTRACT CALLS FOR AN AVERAGE DEPTH OF 300' FOR ALL DRILLING, AND THAT WE MAY REQUEST THAT SOME SECOND PHASE DRILLING BE INCORPORATED AND ADDED TO FIRST PHASE DRILLING, WE DEEM IT ADVISABLE TO ASK FOR THIS CONVERSION AT THIS TIME. WE EXPECT TO HAVE 3 DRILLS IN OPERATION ON THE PROPERTY BY WEDNESDAY, OCTOBER 19, 1955, SO THAT THE PROJECT MAY BE BROUGHT TO COMPLETION AS SOON AS POSSIBLE.

PROPOSED [illegible] HOLES [illegible] A DILEMMA, WHICH IS FOR ALL PRACTICAL PURPOSES [illegible]. WE WOULD ALSO LIKE TO HAVE PERMISSION TO SOME [illegible] ARE [illegible] THE LAW [illegible] ARE NOT [illegible] [illegible] OF [illegible] HOLES [illegible] AUTHORITY.

[illegible]

[illegible]

[illegible]

[illegible]

INCLOM

Docket No. 3730

Commodity Uranium

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

Contract No. Idm-E 868

Date of Contract~~xxxx

Docket No. 3730

Commodity Uranium

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

Contract No. Idm-E 868

Date of Contract ~~or Amendment~~: September 6, 1955

Name and Address of Operator:

Vaughey and Vaughey
1650 Denver Club Building
Denver 2, Colorado

Amount of Government participation $ 23,868.00

Percent of Government participation 75 %

Region: III State: Utah

for E. L. Gallant
(Name)
J. L. Chambers, Chief
Contract Administration and
Audit Division

(Title)

Date Delivered to Bureau of Mines, Washington.

9/6/55

54458

Government's Copy

EXPLORATION PROJECT CONTRACT
VAUGHEY AND VAUGHEY
DOCKET NO. DMEA-3730

MEMORANDUM OF EXPLANATION

Washington, D. C.

The United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Vaughey and Vaughey are parties to Exploration Project Contract Idm-E868 (Docket No. DMEA-3730), dated September 6, 1955.

The contract provides that the Government will contribute to the unit costs of drilling performed under independent contracts that do not exceed the estimated costs for each unit (per foot of drilling) set forth in Exhibit "A". The contract provides further that the Government's contribution to costs will be made as they are incurred, based upon monthly vouchers. However, it was the intent of the parties at the time the exploration project contract was negotiated and executed that the unit costs set forth under Category (1) under any stage prescribed in Exhibit "A" represent the maximum average cost per foot for each classification of drilling performed and accepted rather than the maximum cost per foot of each classification of drilling performed, as evidenced by the Operator's application and the DMEA Field Team's report of examination filed in the contract docket.

The Operator incurred costs on the basis of this understanding and the Government has made payment on the basis of this understanding.

C O Mittendorf
Administrator, Defense Minerals
Exploration Administration

OCT 25 1956

Government's copy

RECEIVED

SEP 16 1955

MF-200
(Revised June 1954)

Docket No. DMEA - 3730

Commodity Uranium

Contract No. Idm-E 868

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

EXPLORATION PROJECT CONTRACT[1]

It is agreed this SEP 6 1955 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] Vaughey and Vaughey, a partnership, consisting of E. A. Vaughey, W. M. Vaughey, and W. T. Blackburn, whose mailing address is 1650 Denver Club Building Denver 2, Colorado, hereinafter called the "Operator," as follows:

ARTICLE 1. *This contract* is entered into under the authority of the Defense Production Act of 1950, as amended. It consists of this form (MF-200), the attached Exhibit "A," Annex I, and map, Fig. 2.

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 Utah, County of Emery, and is described in Annex I.[3]

(b) The Operator represents and undertakes that:

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

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

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

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

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

(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 uranium. The work to be performed is described in Exhibit "A." The Operator on or before October 15, 1955 shall commence the work, and on or before February 1, 1956 (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall either have completed the work or shall have incurred allowable costs (see Article 6) in a sum not less than the estimated total allowable cost set forth in Exhibit "A," except as otherwise provided in Exhibit "A" with respect to Stages of work.

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 $31,824.00 The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $23,868.00: *Provided,* That until the Operator has rendered to the Government his final report, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last

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

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

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

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

CATEGORY (2)—PERSONAL SERVICES.

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

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

Subcategory (c)—Labor.

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

CATEGORY (4)—OPERATING EQUIPMENT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) *Reductions in costs.*—The Operator shall account for and give the Government credit for any incidental benefits, credits, or money received in the ordinary course of business in prosecuting the work (as by salvage or sale of materials or equipment, furnishing of room or board, furnishing of power or services to third persons, rebates or discounts on purchases, etc.), in the same ratio in which the Government contributes to costs; and such amounts shall be treated as a reduction in costs incurred so that they are available for use within the limit of the original estimated total cost. This provision does not apply to receipts from production which are subject to the Government's percentage royalty under the provisions of Article 9.
And see Article 13.

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.*—

To the extent that costs are set forth in Exhibit "A" as "Fixed Unit Costs" they are in lieu of the actual costs that otherwise would be estimated and allowable under the provisions of Article 6 of this contract.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By .....

Administrator, Defense Minerals
Exploration Administration

VAUGHEY AND VAUGHEY
(Operator)

By ..... (partner)
E. A. Vaughey

By ..... (partner)
W. M. Vaughey

By ..... (partner)
W. T. Blackburn

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

EXPLORATION PROJECT CONTRACT
VAUGHEY AND VAUGHEY
DOCKET NO. DMEA-3730

ANNEX I

The land referred to in Article 2 of the Contract form consists of 37 unpatented mining claims recorded in the office of the County Recorder, Emery County, Utah, as follows:

Name of Claim		Location Notice Recorded Book	Page
Mike No. 1		J 74	443
Mike No. 2		"	444
Mike No. 3		"	445
Mike No. 4		"	446
Mike No. 5		"	447
Mike No. 11		"	448
Mike No. 12		"	449
Mike No. 13		"	450
Gertrude No. 11		"	451
Gertrude No. 12		"	452
Gertrude No. 13		"	453
Gertrude No. 14		"	454
Mike No. 6	Amended	"	455
Mike No. 7	"	"	456
Mike No. 8	"	"	457
Mike No. 9	"	"	458
Mike No. 10	"	"	459
Hilda No. 1	"	"	460
Hilda No. 2	"	"	461
Hilda No. 3	"	"	462
Hilda No. 4	"	"	463
Hilda No. 5	"	"	464
Hilda No. 6	"	"	465
Hilda No. 7	"	"	466
Hilda No. 8	"	"	467
Hilda No. 9	"	"	468
Hilda No. 10	"	"	469
Gertrude No. 1	"	"	470
Gertrude No. 2	"	"	471
Gertrude No. 3	"	"	472

Name of Claim (Cont'd.)		Location Notice Recorded Book	Page
Gertrude No. 4	Amended	J 74	473
Gertrude No. 5	"	"	474
Gertrude No. 6	"	"	475
Gertrude No. 7	"	"	476
Gertrude No. 8	"	"	477
Gertrude No. 9	"	"	478
Gertrude No. 10	"	"	479

The above claims are situated in Secs. 34 and 35, T. 21 S., R. 14E., and in Secs. 3, 4, and 10, T. 22 S., R. 14 E., S.L.B. & M., and are shown on the attached claim map, Fig. 2.

The Operator holds the land under a lease recorded in Book J 78, page 53, an amendment to the lease recorded in Book J 79, page 480, and an amendment and supplement to the lease dated June 27, 1955.

MF-203
Revised March 24, 1955

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator Vaughey and Vaughey, partners
Docket No. DMEA-3730
Contract No. Idm-E
Contract Date

RECEIVED
SEP 16 1955

CONSENT TO LIEN

To the United States of America:

Referring to that certain land in the County of Emery, State of Utah, described as follows:1/

Mining claims: Mike Nos. 1 through 13; Hilda Nos. 1 through 10; and Gertrude Nos. 1 through 14, lying in Sections 34 and 35, T. 21 S., R. 14 E., and in Sections 3, 4, and 10, T. 22 S., R. 14 E., in Green River Mining District. Location notices for these claims are recorded in Book J 74 at pages 443 through 479.

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

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

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

None

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

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

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

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

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

5. Added provision: _____

_____

_____

_____

_____

_____

_____

_____

Dated this _____ day of SEP 6 1955, 195__.

Paul Alex [Seal] Fred Zanett [Seal]
Paul Alex Fred Zanett

Devel Halderman [Seal]
Devel Halderman

Angelo Zanett [Seal]
Angelo Zanett

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]

EXPLORATION PROJECT CONTRACT
VAUGHEY AND VAUGHEY
DOCKET NO. DMEA-3730

EXHIBIT "A"

Description of the Work

The object of this project is to discover uranium ore deposits that might occur in the Salt Wash member of the Morrison formation. In the region where this project is located, the uranium mineralization is generally confined to an irregular lenticular sand bed about 175 feet above the base of the Morrison formation. Within this 30-foot thick sand bed the ore may occur in 3 or more zones. It is estimated that drill holes averaging 300 feet in depth will be required to penetrate the ore-bearing horizon.

The work shall be performed in three successive stages as indicated below. The Operator shall perform all the work under Stage I, and shall perform so much of each succeeding stage as is approved in advance in writing by the Government, based upon the results of the completed stage or stages of work.

Stage I

Stage I consists of bulldozing access roads and preparing twenty-three (23) drill sites. The approximate locations of the drill sites are shown, marked X, on the attached map, Fig. 2, entitled "Claim Map Showing Proposed Drill Holes, Vaughey and Vaughey Property ... June 22, 1955." One (1) vertical hole shall be drilled from each drill site. The spacing of holes is expected to range from approximately 500 to 1,500 feet.

It is estimated that 5,670 feet of noncore and 1,230 feet of core drilling will be required to complete the twenty-three drill holes authorized for Stage I. However, if the footages estimated for Stage I drilling are not sufficient to complete the twenty-three (23) holes then, with prior written Government approval, part of the footages authorized for Stage II drilling may be used to complete the Stage I drilling.

Not in excess of 8 hours of bulldozing shall be performed, and not in excess of 18 samples shall be

chemically analyzed to determine the U_3O_8 and V_2O_5 content, under this stage of the contract.

Stage II

Stage II consists of bulldozing access roads and preparing twenty-five (25) sites for drilling to delineate ore-bearing structures discovered in Stage I. Not more than one (1) vertical hole shall be drilled from each site. Holes drilled from these sites shall not be closer than 300 feet to any other drill hole.

Not in excess of twenty-five (25) holes, totaling not in excess of 6,750 feet of noncore and 750 feet of core drilling, shall be performed in this stage.

Not in excess of 9 hours of bulldozing shall be performed, and not in excess of 17 samples shall be chemically analyzed to determine the U_3O_8 and V_2O_5 content, under this Stage II.

Stage III

Stage III consists of bulldozing access roads and preparing ten (10) sites for drilling to further delineate ore-bearing structures discovered in the preceding stages. Holes drilled from these sites shall not be closer than 50 feet to any other hole. Not more than one (1) vertical hole shall be drilled from each of these sites, and not more than a total of 2,700 feet of noncore and 300 feet of core drilling, shall be performed in this Stage III.

Not in excess of 3 hours of bulldozing shall be performed, and not in excess of 7 samples shall be chemically analyzed to determine the U_3O_8 and V_2O_5 content, under this Stage III.

General Provisions

1. A supervisor and at least one helper shall be employed full time under this contract.

2. Hole No. 11 and Hole No. 22 in Stage I shall be cored from the surface to the bottom; and all other holes in Stages I, II, and III shall be core drilled through the inferred 30-foot thick ore-bearing sandstone bed in the Salt Wash member. All other drilling shall be noncore drilling.

3. All holes shall be logged and probed for radioactivity. Records of such logging and probing, together with assay certificates, shall be submitted with the Operator's monthly progress report.

4. The Government shall not contribute to the cost of any uncompleted hole, to the cost of any hole that bottoms less than AX core size, or to the cost of any hole which cannot be probed with radiometric logging equipment.

5. No hole under this contract shall be drilled closer than 100 feet to the outer boundaries of the land described in Annex I.

6. Mineralized portions of the core shall be split, the Operator using one-half for assay purposes; the other one-half shall be stored for Government use with the rest of the core in boxes properly labeled as to drill hole number. Markers shall be placed in the sections of the core to indicate the depth represented.

7. The supervision, the extent and method of sampling, the location of drill sites and drill holes, the direction and extent of drilling, and the drilling method, are all subject to Government approval.

8. Bulldozing shall be performed with a D-6 bulldozer, or equivalent unit.

Estimated Costs of the Project

Actual Costs

(Categories 2 through 7 of the contract form do not apply to this contract.)

Category (1) Independent Contracts

Stage I

Access roads and drill sites, 8 hours of bulldozing @ $12.00/hr.	$ 96.00	
Noncore drilling 5,670 feet @ $1.45/ft.	8,221.50	
Core drilling 1,230 feet @ $3.00/ft.	3,690.00	$12,007.50

Stage II

Access roads and drill sites, 9 hours of bulldozing @ $12.00/hr.	108.00	
Noncore drilling 6,750 feet @ $1.45/ft.	9,787.50	
Core drilling 750 feet @ $3.00/ft.	2,250.00	12,145.50

Stage III

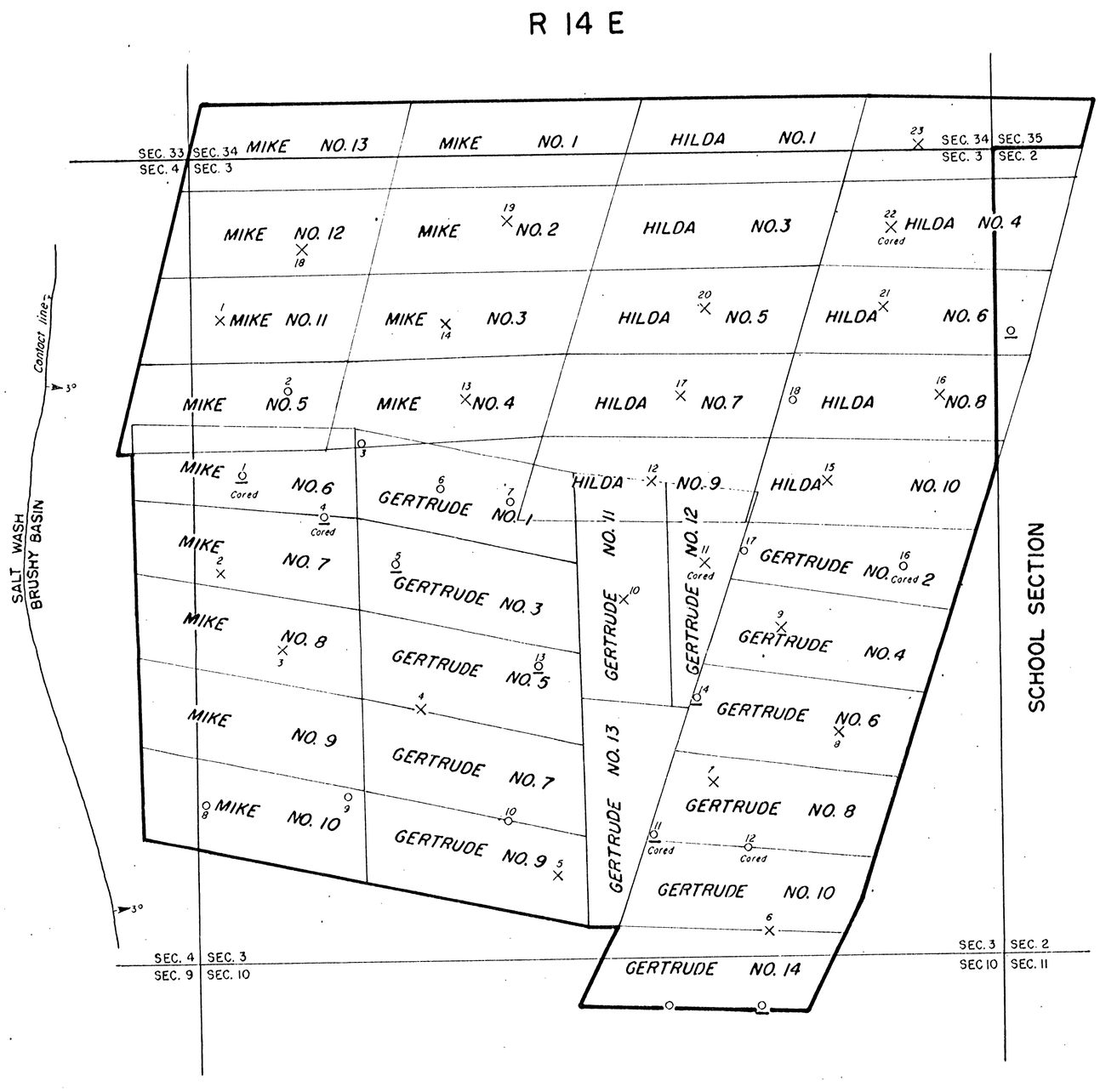
Access roads and drill sites, 3 hours of bulldozing @ $12.00/hr.	36.00	
Noncore drilling 2,700 feet @ $1.45/ft.	3,915.00	
Core drilling 300 feet @ $3.00/ft.	900.00	4,851.00

Fixed Unit Costs

The Government will contribute to the costs of "Incidental allowance" and "Chemical analyses" on the basis of the fixed unit costs set forth below, as they accrue, in lieu of actual costs. The fixed unit cost for "Incidental allowance" includes all costs whatsoever that are not included in the estimates for Independent Contracts

and analyses of samples, and covers such items as supervision, technical services, labor, materials and supplies, equipment, etc., which would otherwise be allowable under Categories (2) through (7) of the contract form.

Stage I		
Incidental allowance for each foot of drilling completed, 6,900 feet @ $0.15/ft.	$ 1,035.00	
Chemical analyses for U_3O_8 and V_2O_5, 18 samples @ $5.00 each sample	90.00	$ 1,125.00
Stage II		
Incidental allowance for each foot of drilling completed, 7,500 feet @ $0.15/ft.	1,125.00	
Chemical analyses for U_3O_8 and V_2O_5, 17 samples @ $5.00 each sample	85.00	1,210.00
Stage III		
Incidental allowance for each foot of drilling completed, 3,000 feet @ $0.15/ft.	450.00	
Chemical analyses for U_3O_8 and V_2O_5, 7 samples @ $5.00 each sample	35.00	485.00
Estimated Total Cost of Project		$31,824.00
Government Participation @ 75%		$23,868.00



LEGEND

- HOLE ALREADY DRILLED, (BARREN)
- HOLE ALREADY DRILLED, (URANIUM MINERALIZATION)
- PROPOSED DRILL HOLE. (AVE. DEPTH OF HOLE = 300', NON-CORED DRILLING: EXCEPT 10% OF EACH HOLE TO BE CORE-DRILLED THRU THE FAVORABLE HORIZON OF SALT WASH MEMBER; AND EXCEPT WHERE INDICATED.
- CONTACT OF SALT WASH AND BRUSHY BASIN MEMBERS OF MORRISON FORMATION.

NOTE

DATA TAKEN FROM APPLICANT'S MAP.

0 600 1200 1800 2400
SCALE OF FEET

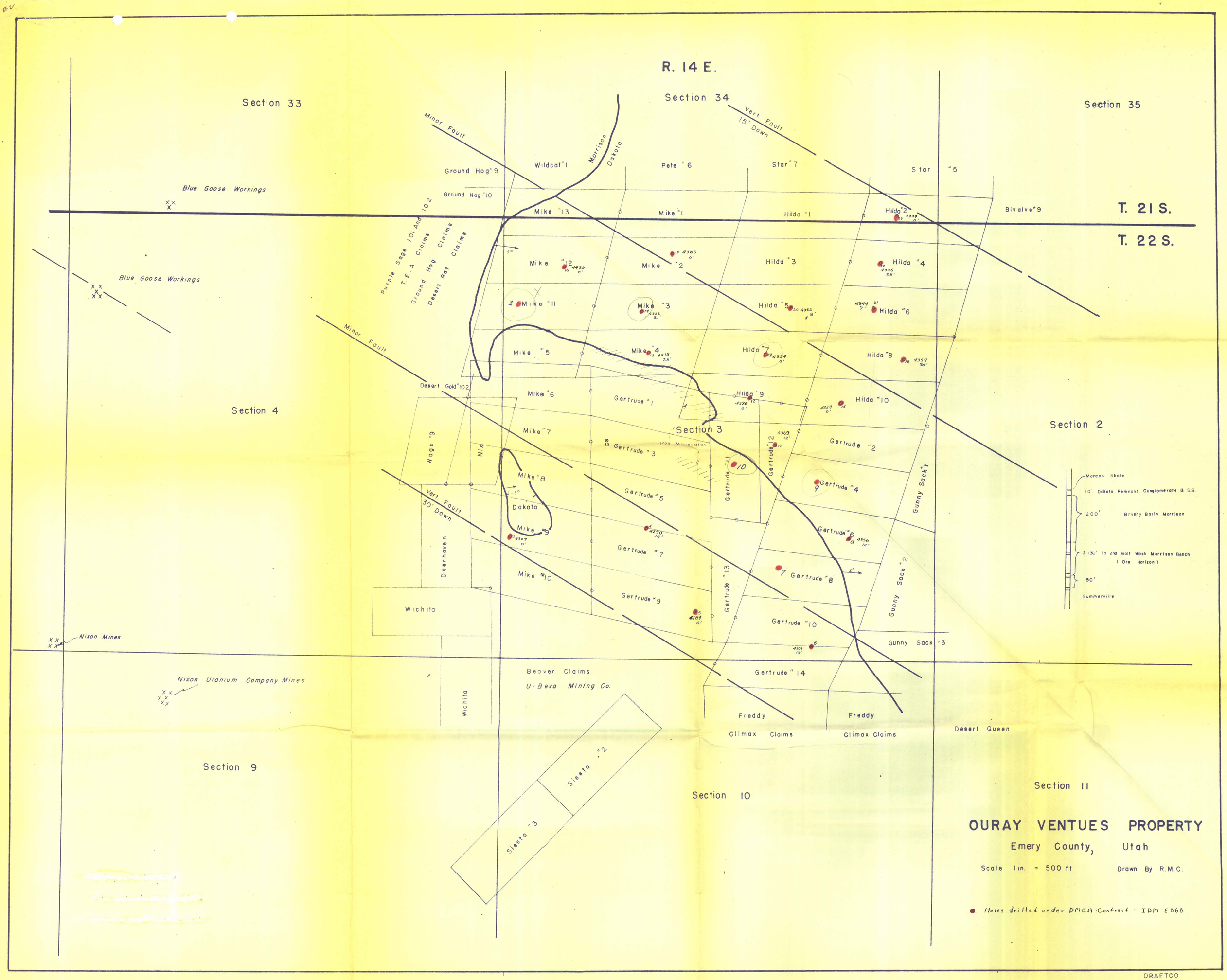
U. S. DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Fig. 2 DMEA Docket No. 3730

Claim Map showing Proposed Drill Holes

VAUGHEY & VAUGHEY PROPERTY
(OURAY VENTURES PROPERTY)
EMERY COUNTY, UTAH

ENGINEER: *M. H. Howes*	DATE: JUNE 22, 1955
TRACED: JUNE, 1955, BY: A. P. T. S.	1900 - 337 - D
CHECKED:	


R. 14 E.
T. 21 S.
T. 22 S.
Section 33
Section 34
Section 35
Section 4
Section 3
Section 2
Section 9
Section 10
Section 11
Minor Fault
Vert Fault 15' Down
Vert Fault 30' Down
Morrison
Dakota
Ground Hog "9
Ground Hog "10
Wildcat "1
Pete "6
Star "7
Star "5
Bivalve "9
Blue Goose Workings
Purple Sage 101 And 102
T. E. A Claims
Ground Hog Claims
Desert Rat Claims
Mike "13
Mike "1
Hilda "1
Hilda "2
Mike "12
Mike "2
Hilda "3
Hilda "4
Mike "11
Mike "3
Hilda "5
Hilda "6
Mike "5
Mike "4
Hilda "7
Hilda "8
Desert Gold "102
Mike "6
Gertrude "1
Hilda "9
Hilda "10
Mike "7
Gertrude "3
Gertrude "2
Wags "9
Nix
Mike "8
Gertrude "5
Gertrude "4
Gertrude "11
Gertrude "12
Gunny Sack "1
Dakota
Mike "9
Gertrude "7
Gertrude "6
Deerhaven
Mike "10
Gertrude "9
Gertrude "8
Gertrude "13
Gertrude "10
Gunny Sack "2
Wichita
Gunny Sack "3
Gertrude "14
Nixon Mines
Nixon Uranium Company Mines
Beaver Claims
U-Beva Mining Co.
Freddy
Climax Claims
Freddy
Climax Claims
Desert Queen
Siesta "2
Siesta "3
Mancos Shale
10' Dakota Remnant Conglomerate & S.S.
200' Brushy Basin Morrison
± 130' To 2nd Salt Wash Morrison Bench (Ore Horizon)
50' Summerville
OURAY VENTUES PROPERTY
Emery County, Utah
Scale 1in. = 500 ft
Drawn By R.M.C.
Holes drilled under DMEA Contract - IDM E868
DRAFTCO