FEB 26 1962

Memorandum

To: Acting Field Officer, Region III

From: Chief, Division of Field Operations

Subject: DMEA-4889 (Uranium)
Balboa Mining and Development Company
Layman Property
Crook County, Wyoming
Contract Idm-E1178
and
DMEA-3762 (Uranium)
Shannon Oil Company
Layman Property
Crook County, Wyoming
Contract Idm-E870

The Department's Fiscal Section has advised that the $1,124.05 refund referred to in your February 23 memorandum was scheduled to the disbursing office during the past week. The Operator undoubtedly is now in receipt of the refund.

The delay in making this refund is regretted. Apparently, the Operator's claim was misplaced and only recently came to light.

George C. Selfridge

EDTalbert/ama 2-26-62

cc:
Docket
Director's Reading File
CA & A Division - Idm-E870
Review Committee

OCT 3 1 1961

Memorandum

To: Acting Field Officer, Region III

From: Chief, Division of Field Operations

Subject: DMSA-4839 (Uranium)
Balboa Mining & Development Co.
Layson Property
Crook County, Wyoming
Contract Idm-E1178
and
DMSA-3762 (Uranium)
Shannon Oil Company
Layson Lease
Crook County, Wyoming
Contract Idm-E870

Your Abstract of Remittances '61-10-5 includes the receipt on October 23, 1961, of $186.74 as royalty under the subject contracts. The posting of this royalty receipt resulted in an overpayment by $70.71 of the Government's total contribution of $13,662.16 under the two contracts.

We have now received copies of Abstract of Remittances '61-10-6, which includes an aggregate of $1,055.34 received on October 27, 1961, as royalty for credit to these contracts. Accordingly, the Government's contribution has been overpaid by $1,124.05 as of this date.

Please advise the Operator that royalty payments under these contracts should be discontinued and that refund will be made upon receipt of its claim for the excess amounts.

George C. Selfridge

EDTalbert/ama
October 30, 1961

Copy to: Docket
Director's Reading File
CA & A Division - Idm-E870
Review Committee
Mr. Rothrock

800

L 2 5 1961

Balben Mining and Development
Company
Post Office Box 841
Grand Junction, Colorado

Attention: Mr. T. Sanders

Re: DMEA-4889 (Uranium)
Balben Mining & Development Co.
Lemman Property
Crook County, Wyoming
Contract Idm-E1178
and
DMEA-3762 (Uranium)
Shannon Oil Company
Lemman Lease
Crook County, Wyoming
Contract Idm-E870

Gentlemen:

In reply to your July 28 letter, you are advised that the balance payable to the Government under the first referenced contract is $2,572.74 after application of the royalty paid on Mines Development, Inc., liquidation number 2658. This balance is computed as follows:

Government's contribution repayable

Contract Idm-E1178	$5,066.03	
" Idm-E870	8,596.13	$13,662.16
Royalty paid through June 30, 1961		11,089.42
Balance payable		$ 2,572.74

Since June 30, royalty of $127.64 applicable to liquidation number 2662 has been received. Accordingly, the balance as of this date is $2,445.10 according to our records.

Sincerely yours,

George Fumich, Jr.

Director

Kimalbert/lb (7/24/61)
Copy to: Docket DMEA-4889
Docket DMEA-3762
Director's Reading File

Region III (2)
CAAA Division (2)

JUN 19 1959
O.M.E.

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Executive Officer, OME Field Team, Region III, Denver, Colorado pertaining to Contract Idm-8870, Docket No. DMEA 3762, dated September 14, 1955, with

Shannon Oil Company, a limited Partnership consisting of R. S. Shannon, Jr. (General Partner) and W. J. Quinlin, Kathryne E. Scoville, and Phyllis L. Warrick (Limited Partners)
603 Midland Savings Building
Denver 2, Colorado

for the purpose of determining the amount of royalties due the U. S. Government on the sales of Uranium, from property referred to as Layson Lease, located in Crook County, Wyoming, during the period September 14, 1955 to June 16, 1959.

A Certification of Discovery or Development was issued on May 25, 1956, and accordingly royalty is payable on all the production from the land described in Article 2 of the contract for a maximum period of 10 years from the date of the contract. A Report of Review in lieu of Final Cost Audit dated August 28, 1956, indicated accepted costs under the exploration contract of $11,461.51, with the Government's contribution on a 75 percent basis being $8,596.13.

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

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

(a) According to the Field Team's Semi-Annual Report of certified project for the period July 1, to December 31, 1956, operation ceased about November 25, 1955; no ore has been shipped since September 14, 1955, (The date of the exploration contract). Subsequent semi-annual reports of Field Team during the period January 1, 1957 to December 31, 1958, indicate property inactive and no operations or ore shipments are anticipated in 1959.

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

June 16, 1959

Donald T. Finch
Donald T. Finch
OME Auditor

JUN 22 1959

Memorandum

To: Mr. Donald T. Finch, OME Auditor

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

Subject: Docket No. DMEA-3762 (Uranium)
Shannon Oil Company
Contract No. Idm-E870

Your Report of Royalty Review on the subject contract is acceptable and distribution of the regional copies is authorized after changing "Shanon" to "Shannon" in the fourth line of the first paragraph. This correction has been made in the Washington copies.

EMAlley/ama
June 22, 1959

Copies to: Docket
Director's Reading File
Code 800

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

Shannon Oil Co., a limited partnership consisting of R. S. Shannon, Jr. (general partner) and W. J. Quinlin, Kathryne E. Scoville, and Phyllis L. Warnick (limited partners)
603 Midland Savings Bldg
Denver, Colorado

pertaining to Exploration Project Contract No. Idm-870, Docket No. DMEA-3762, including Amendment No. 1 for the period October 18, 1955 to November 25, 1955, covering a project for the exploration of Uranium on property known as Laymon Lease located in Crook County, Wyoming.

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 ($8,850.05) incurred covered work performed at unit rates under independent contract; and

(d) the balance ($2,611.46) 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		$11,940.92
Exceptions:		
By DMEA Finance Officer	$479.41	
Herewith	0.00	479.41
Total Accepted Cost		$11,461.51

The contract calls for a 75% participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Eight thousand, five hundred ninety-six and 13/100ths Dollars

** $8,596.13 **

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.

August 28, 1956

T. H. Brading, Auditor

SCHEDULE OF EXCEPTIONS

SHANNON OIL COMPANY

Contract Idm-B870 | Docket No. DMEA-3762

The contract provides that only two of the four holes offsetting Hole No.753 shall be drilled below the upper ore bearing unit of Lakota formation. All four holes were drilled through the lower ore bearing unit, resulting in an excess of 13 feet on Hole No. 735-1 and an excess of 12 feet on Hole No. 735-3.

1.	Total excess 25 feet at $3.50 per foot is disallowed, or	$ 87.50
2.	141 feet were drilled below ore bearing units in Holes Nos. 735-1 & 735-3 12 " " " " " " " " " " 735-2 & 735-4 153 feet in excess of contract allowance at $1.75 per foot	267.75
3.	Incidental allowance on above listed 178 feet at 57¢ per foot	101.46
4.	Radiometric logging allowance for 177 feet at 10¢ per foot (One foot was not logged.)	17.70
5.	Cost of one chemical analysis at $5.00 (Sample No. 5406-9 Hole 735-1)	5.00
	Total Disallowed	$479.41

Above disallowances were made by Finance Officer, and after checking, are approved by Auditor.

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

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

Re: Report of Review
Idm-E870, DMEA-3762
Shannon Oil Co.

Dear Mr. Breding:

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) E. D. Talbert

E. D. Talbert, Acting Chief
Contract Administration
and Audit Division

WBorovies/wb
August 30, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

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

RECEIVED
SEP 13 1956

224 New Customhouse
Denver 2, Colorado

September 6, 1956

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 3762 (Uranium) Contract Idm-E870, Shannon Oil Company (Laymon Lease) Crook County, Wyoming - FINAL PAYMENT

Reference is made to our memorandum of February 8, 1956 whereby we transmitted final form MF-104, Operator's Monthly Report and Voucher, for the period October 18, 1955 to November 25, 1955 and requested that you withhold an amount of $250.00 pending resolution of matters relative to closing the account.

The contract was terminated effective May 25, 1956. The Operator's Narrative Report for the above period has been accepted as the Operator's final engineering and geologic report. We now recommend that final payment to the Operator be made on the following basis, which is in conformance with the Report of Review by the Contract Administration and Audit Division, dated August 28, 1956, which was released to this office September 5, 1956.

Basis for Final Payment

Total accepted cost	$11,461.51
Government participation at 75 percent	8,596.13
Total prior payments	8,346.13
Balance due the Operator	$ 250.00

$250.00
9/7/56 DMA 87-30

W. M. TRAVER

W. M. Traver

JDC:jy
cc: Corresp. E870
MF-104 File E870
Sec. Op. Comm. (2)
Shaw (2)
Townsend
Chron.

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

RECEIVED
SEP 13 1956

224 New Customhouse
Denver 2, Colorado

September 11, 1956

Memorandum

To: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 3762 (Uranium) Contract Idm-E870, Shannon Oil Company (Laymon Lease) Crook County, Wyoming - FINAL PAYMENT

Enclosed are two copies of a memorandum to T. A. Christensen, dated September 6, 1956, relative to final payment under the terms of the subject contract.

W. M. Traver

W. M. Traver

Enclosures

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

DMEA
Date Rec'd
JAN 6 1956

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S MONTHLY REPORT AND VOUCHER

BUREAU OF MINES
Denver, Colorado

Month of Oct. 18 - Nov. 25 1955 Docket No. DMEA 3762 Contract No. Idm E-870
Operator's Name Shannon Oil Co. Minerals Uranium
Address 603 Midland Savings Building, Denver 2, Colo.
Contract Amount, $ 11,940.92 Government Participation: 75 % Amount, $ 8,955.69

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Contracts:						
Drilling 3861 Ft.	6756.75	None	6756.75			
Bulldozing						
Crosscutting						
Drifting						
Core Drilling 591½ Ft.	2070.25	None	2070.25			
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental Radiometric Logging 3960 Ft.	396.00	None	396.00			
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
* Sampling and Analysis 36	180.00	None	180.00			
Payroll Taxes						
Liability Insurance						
* Incidental Allowances 4452½ Ft.	2537.92	None	2537.92			
(8) Contingencies (specify):						
		* FIXED UNIT COSTS				
TOTALS	11,940.92		11,940.92	11,461.51	—	11,461.51

RECEIVED
FEB 15 1956

I certify that the above bill is correct and just and that payment therefor has not been received.
Date JAN 6 1956 *Payee Shannon Oil Co.
Per Glen W. Pryor Title Field Supt.

*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:
$ 8346.13
Signature
(Authorized Certifying Officer)
Date 2/10/56 Vou. No. DMEA 56-69
(See other side)

Note: 250.00 withheld

(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. Tolm-E 87 in accordance with the terms of the contract.

Signature William D. McMillan (8 ~~849~~ 83) 8652 Title Min. Engr Date 1/12/56

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature W. M. Weaver Title Executive Officer Date FEB 8 1956

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

RECEIVED FEB 1 1956

DMEA Date Rec'd. JAN 6 1956

BUREAU OF MINES Denver, Colorado

UNITED STATES DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Oct. 18 - Nov. 25 1955 Docket No. DMEA 3762 Contract No. Idm-E870

Operator's Name Shannon Oil Co. Minerals Uranium

Address 603 Midland Savings Building, Denver 2, Colo.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
			(STAGE I)					
Bulldozing	Ft.	None	None	None	None	None	16	12.50
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core	Ft.	2070.25	591½	2070.25	591½	3.50	940	3.50
Non-core	Ft.	6756.75	3861	6756.75	3861	3.50	3600	1.75
Auger								
Radiometric/Logging	Ft.	396.00	3960	396.00	3960	.10	4460	.10
Trenching			(FIXED UNIT COSTS)					
Incidental Allowances	Ft.	2537.92	4452½	2537.92	4452½	.57	4540	.57
Chemical Assays	Ea.	180.00	36	180.00	36	5.00	90	5.00
TOTAL DISTRIBUTED COSTS		11,940.92		11,940.92				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		11,940.92		11,940.92				11,940.92

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 JAN 6 1956 Operator Shannon Oil Co.

Per Glen W. Pryor Title Field Supt.

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.

REMARKS:

(Instructions on reverse)

(For Government use only) William W. McMillen

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

FINAL DISTRIBUTION

MADE FEB 13 1956

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

RECEIVED

FEB 15 1956

Administrative Audit Difference Statement

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

[illegible]
[illegible]
[illegible]

[illegible]

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]

[illegible] (1) The reason for the difference was due to:

[illegible] 5 ft. of core drilling @ 1.35 per ft. [illegible]

[illegible] (2) [illegible] ft. [illegible] @ 1.35 per ft. [illegible]

(3) [illegible] [illegible]

(4) [illegible] 27.40

[illegible] ft. [illegible]

(5) [illegible] 5.00

Total [illegible] [illegible]

[illegible]

[illegible] [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-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
FEB 15 1956

224 New Customhouse
Denver 2, Colorado

February 8, 1956

RECEIVED
FEB - 9 1956
BUREAU OF MINES
DENVER, COLORADO

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: DMEA Docket 3767 (Uranium) Contract Idm-E870, Shannon Oil Company, Layman Property, Crook County, Wyoming. Operator's Monthly Progress Report for the period October 18 - November 25, 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.

Disallow 1) an amount of $87.50, the cost of 25 feet of core drilling at $3.50 per foot. The contract stipulates that only two of the four holes offsetting Hole 735 shall be drilled below the upper ore-bearing unit of the Lakota formation. Contrary to this stipulation all four of the offset holes were drilled through the lower ore bearing unit. The excess core drilling in Holes 735-1 and 735-3 is disallowed.

2) an amount of $267.75, the cost of 153 feet of non-core drilling at $1.75 per foot. 141 feet was drilled below the upper ore-bearing unit in Holes 735-1 and 735-3. 12 feet was drilled below the lower ore bearing unit in Holes 735-2 and 735-4, also in violation to the contract terms.

3) an amount of $101.46, the incidental allowance for the above total of 178 feet at $0.57 per foot.

4) an amount of $17.70, the radiometric logging allowance for 177 feet at $0.10 per foot. One foot of the above drilling was not logged.

5) an amount of $5.00, the cost of one chemical analysis; Sample No. 5406-9, Hole 735-1, lower ore bearing unit, at the interval 268-273 feet.

Work under Stage I of the contract has been completed; therefore, withhold an amount of $250.00 pending resumption of work under the contract, or if work is not resumed, continue to hold the amount pending resolution of matters relative to closing the account.

Reconciliation with Amount Claimed by the Operator on Form MF-104 for the Period October-November, 1955

Amount claimed by Operator on Form MF-104		$11,940.92
Disallowances:		
Core Drilling	$ 87.50	
Non Core Drilling	267.75	
Incidental Allowance	101.46	
Radiometric Probing	17.70	
Chemical Analysis	5.00	
Total Disallowed		479.41
Allowable Costs		$11,461.51
Government Participation at 75 percent		8,596.13
Amount to be withheld		250.00
Recommended payment to Operator		$8,346.13

Remarks

Date of Report----------January 6, 1956
Date Received in Field Office----------January 6, 1956
Date Received in Region Office---------- January 12, 1956

W. M. TRAVER

W. M. Traver

Enclosures

JDC:jy
cc: MF-104 File E870
Sec. Op. Comm. (2)
Townsend w/copy engr's report

Shaw (2)
Chron.

REGION III

Building 20
Denver Federal Center
Denver 2, Colorado
February 6, 1956

Memorandum

To: Executive Officer, DMEA Field Team, Region III

RECEIVED FEB 16 1956

Through: John F. Shaw
Supervising Mining Engineer

From: W. D. McMillan

Subject: DMEA 3762, Contract Idm-2870 (Uranium) Shannon Oil Company, Layman Property, E½ N.W. ¼ and W½ N.E. ¼, Section 27, T. 52 N., R. 66 W., 6th principal meridian, Crook County, Wyoming. Final Report - October 18 - November 23, 1955.

Progress was checked on December 6, 1955 in company with Glen W. Pryor, Field Superintendent of Shannon Oil Company, who guided the examining engineer to all the holes and furnished drill hole data on the 18 drill holes of Stage I of the contract. All holes were drilled at the contract specified locations of 50 feet on diagonals from AEC drill holes with the exception of Hole 743-1 which was 46 feet from the original location to avoid a clump of trees. Summary logs of the holes drilled are given below:

Hole	Core Recovery - %	Plug-bit Footage	Core bit Footage	Total Footage	Uranium Content % U_3O_8
704-1	37	211.0	39.0	250	Slight
704-2	46	215.0	43.0	258	"
735-1	60	245	28.0	273	0.18 267' - 268'
2	46	250	25.0	275	0.09 260' - 261'
3	52	244	28.0	272	Slight
4	55	245	28.0	273	0.30 265' - 266'
743-1	43	175	32.0	207	Slight
2	51	225	39.0	264	"
3	52	175	30.0	205	"
4	41	210	39.5	249.5	"
746-1	45	240	44.0	284	0.23 182.5' - 183' 0.18 187.5' - 188'
2	79	175	45.0	220	Slight
3	53	230	49.0	279	0.50 187.5' - 188' 0.35 190.0' - 191.5'
4	54	175	45.0	220	Slight
708-1	56	233	28.0	261	"
2	79	167	23.0	190	0.20 178' - 179'
3	62	224	32.0	256	Slight
4	73	166	24.0	190	"
18		3805	621.5	4426.5	

Claimed by Applicant

3861	591.5	4452.5
1.75	3.50	
6756.75	2070.25	8832.00

The applicant exceeded the contract footage of non-core drilling by 261 feet, but the footage of core drilling was 348.5 feet less than the contract footage.

In Exhibit "A" of Contract Ida-2870 the estimated depth through the upper unit of the Lakota sandstone was 205 feet and to the bottom of basal unit of the Lakota sandstone was 270 feet, and two holes in each group were to be drilled through the upper unit of the Lakota sandstone and two holes through both the upper and basal units. The estimated depth through the basal unit of 270 feet was exceeded in a few cases as this was determined by the top of the Morrison formation.

The contract specifications were observed for all the holes except the 735 group, where the four holes were drilled through both units, requiring dis-allowal of the footage below the upper unit of the following two holes:

Hole No.	Core-bit and Plug-bit Drilling Unit	From	to	Feet	Remarks
735-1	Upper	185	200	15	Allowed
	Intermediate	200	260	60	Dis-allowed
	Basal	260	273	13	Dis-allowed
735-3	Upper	177	193	16	Allowed
	Intermediate	193	260	67	Disallowed
	Basal	260	272	12	Disallowed

Disallowances as follows are recommended:

Plug Bit Drilling	- 127 feet at $1.75/ft.	$222.25
Core Bit Drilling	- 25 feet at $3.50/ft.	87.50
Incidental	- 152 units at $0.57/ft.	86.64
	Total	396.39

Contract cost for 3805 - 127 or 3678 feet of plug-bit drilling at $1.75 a foot is $6436.50 and for 621.5 - 25 or 596.5 feet of core-bit drilling at $3.50 a foot is $2087.75. Radiometric logging of 3960 feet at $0.10 is $396.00, 36 chemical analyses at $5.00 each is $180.00, and incidental allowance of 4274.5 feet at $0.57 a foot is 4426.5 - 152.0 or $2436.46, a total of $11,536.71.

Payment of 75 percent of the total costs calculated from the drill logs less dis-allowances, or $8652.53, is approved.

Driller's logs were not submitted, but copies of radiometric and geologic logs are enclosed.

Due to the unfavorable results, the applicant is not proposing any further exploration.

It is recommended that $250.00 be withheld from the approved amount pending resumption of work, or termination of the contract.

for Scott W. Hager Jr.
W. D. McMillan
Mining Engineer

WDM/mw
cc 6
Ian-2170
Chron.

Annex II of Contract Idm-E1178 provides that the Operator will pay royalty under terms of that contract until amount advanced under this contract has been paid.

Contract Division

**CERTIFICATION BY THE UNITED STATES OF AMERICA
OF A DISCOVERY OR DEVELOPMENT UNDER
AN EXPLORATION PROJECT CONTRACT**

Pursuant to the provisions of Exploration Project Contract No. Idm-E870, dated September 14, 1955, (Docket No. DMEA-3762), hereinafter called the "contract," between Shannon Oil Co., a limited partnership consisting of R. S. Shannon, Jr., (general partner), and W. J. Quinlin, Kathryne E. Scoville, and Phyllis L. Warnick (limited partners), and the United States of America, hereinafter called the "Government"; to establish and fix the Government's percentage royalty on production and its lien therefor and on the land described in the contract, the Government considers and therefore certifies that discovery or development from which production may be made has resulted from the exploration work.

The nature of said discovery or development is described broadly or indicated as follows:

Core and non-core drilling under the contract intersected ore-grade uranium mineralization and consistent favorable geologic characteristics at two stratigraphic intervals in the Cretaceous Lakota sandstone underlying the subject property.

Dated: MAY 2 5 1956

THE UNITED STATES OF AMERICA

By F M Murphy
Administrator, Defense Minerals
Exploration Administration

FMMurphy/gla
5-21-56
Operator
Frank E. Laymon and
Anne M. Laymon
Contract Adm.& Audit Division
Field Team, Region III (2)
Finance Office
Rare and Misc.Metals Division
Mails and Files Docket
Admr.'s Reading File
Operating Committee
Robert W. Geehan, Rm. 3608
T. H. Kiilsgaard, Rm. 5224
F. E. Johnson
F. M. Murphy

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

Mr. R. E. Shannon, Jr., General Partner
Shannon Oil Company
603 Midland Savings Building
Denver 2, Colorado

MAY 28 1956

Re: Docket No. [illegible]-3762 (Uranium)
Contract No. Ida-[illegible]
Layman Lease
Fremont County, Wyoming

Dear Mr. Shannon:

Enclosed is a "Certification by the United States of America of a Discovery or Development Under an Exploration Project Contract." This certification covers all the land described in Article 2 of the subject contract.

By the terms of the Exploration Project Contract, as amended, and of the certification, all uranium and other valuable minerals produced from the claims described in Article 2 of the contract, from September 14, 1955, the date of the contract, are subject to the Government's percentage royalty as set forth in the contract until the sum which the Government has advanced as its participating interest is repaid, or until September 14, 1965, whichever occurs first.

Payments should be made to Mr. W. M. Irwin, Executive Officer, DMEA Field Team, Region III, 7th New Customhouse Building, Denver 2, Colorado. Checks should be payable to the Defense Minerals Exploration Administration. The purchaser should be advised to deduct the royalties from the amount due on each shipment and forward the check directly to the Executive Officer. Any bonus payments or allowances received by you from the sale of ore are considered to be a part of the purchase price to which the Government's royalty applies. Royalty payments to the Government should be accompanied by suitable evidence, such as copies of settlement sheets, showing quantity and grade of the products sold, the name of the purchaser, and the price and charges, certified to be correct by the purchaser.

You are requested to notify Mr. Irwin of any changes in ownership or production rights that might have any effect on the Government's right to its percentage royalty. Also, if production ceases at any time for an extended period, please notify Mr. Irwin at six-month intervals that no production has been made, when that is the case.

Sincerely yours,

G. G. Mittenkord

Administrator

Enclosure

T. N. Killingsord, Rm. 5224 — P. A. Johnson
Field Team, Region III (2) — Mr. Murphy
Deputy
Mats & Min. Metals Div.
Contract Adm. & Audit Div.

Frank L. & Ann M. Layman, Shoshoni, Wyoming
Adm.'s Reading File
Operating Committee
Robert W. Gaskin, Rm. 3608

Murphy/lam 5-28-56
cc to:

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

MAY 28 1956

Mr. Frank E. Layman
Mrs. Anne M. Layman
504 East 8th Street
Sheridan, Wyoming

Re: Docket No. DMEA-3762 (Uranium)
Contract No. Idm-4870
Sherman Oil Company
Layman Lease
Crook County, Wyoming

Dear Mr. and Mrs. Layman:

For your information, a certification of discovery or development has been issued to the Operator as a result of the exploration program under the above-referenced contract.

The property as set forth in the contract is the same property referred to in the Owner's Consent to Lien, dated August 23, 1955, which was signed by both of you.

We are enclosing the following for your records:

1. A copy of a "Certification by the United States of America of a Discovery or Development Under an Exploration Project Contract."

2. A copy of the transmittal letter to Mr. R. B. Sherman, Jr., General Partner, Sherman Oil Company, 603 Midland Savings Building, Denver 2, Colorado.

Sincerely yours,

G. O. Mittendorf

Administrator

FMMurphy/gla/lxm 5-18-56

cc to: Docket
Admr.'s Reading File
Operating Committee
Field Team, Region III (2)
Contract Adm. & Audit Div.
Rare & Misc. Metals Div.
F. M. Johnson
Robert W. Gonhan, Rm. 3608
T. H. Kiilsgaard, Rm. 5224
Mr. Murphy

Governmen[illegible]s Copy

TERMINATION AGREEMENT

It is agreed this 20TH day of AUGUST, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Shannon Oil Company, hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-E870, Docket No. DMEA-3762, dated September 14, 1955, as amended, hereinafter called the "Contract," that:

1. Effective May 25, 1956, the Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

2. The Government shall contribute to the allowable costs incurred prior to said effective date.

3. All rights of the Government provided for in the Contract with respect to a certification of discovery or development and a percentage royalty and liens for its payment are preserved.

4. All rights of the Government under the Contract with respect to records, audits, and recovery of any overpayment are preserved.

5. The Operator hereby releases and agrees to save the Government harmless from all claims or demands under or arising out of said Contract, except as otherwise provided in this termination agreement.

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

THE UNITED STATES OF AMERICA

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

SHANNON OIL COMPANY

By R. S. Shannon

GENERAL PARTNER

RECEIVED
AUG 23 1956

Government's Copy

RECEIVED
FEB 13 1956

AMENDMENT NO. 1
to
EXPLORATION PROJECT CONTRACT Idm-E870
Dated September 14, 1955
DOCKET NO. DMEA-3762
between
THE UNITED STATES OF AMERICA
and
SHANNON OIL CO.

It is agreed this 9th day of February, 1956, that the Contract is amended as follows:

1. Work under the Contract shall be suspended during the period beginning November 26, 1955, and ending not later than May 1, 1956.

2. No costs incurred by the Operator during the period of suspension shall be allowable for contribution by the Government, and the Government shall not contribute to any costs of rehabilitation or repair which, in its opinion, would not have occurred if there had been no suspension of the work.

3. The Operator at its own cost and expense, without contribution by the Government, during the period of suspension shall preserve and protect the project work and any property in which the Government has an interest.

This agreement 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, nor the amount of any item designated as maximum.

Executed in sextuplicate the day and year first above written.

SHANNON OIL CO.

By R. S. Shannon

GENERAL PARTNER

THE UNITED STATES OF AMERICA

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

Contract No. Idm-E 070

Docket No. 3762

DEPARTMENT OF THE INTERIOR

Terminated contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

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

Date of Contract	Region	State	Commodity
September 14, 1955	III	Wyoming	Uranium

Name and Address of Operator: Shannon Oil Co.
603 Midland Savings Bldg.
Denver 2, Colorado

	Reserve	Obligation
Prior Amount	0	$44,520.00
Increase	0	0
Decrease	0	35,923.87
Revised Amount	0	$ 8,596.13

Remarks:

(Name)
Allen B. Dolan, Chief
Operations Control and
Statistics Division
(Title)

Date Delivered to Bureau of Mines, Washington 9/27/56

98963

Docket No. 3762

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 370

Date of Contract ~~or Amendment~~: September 14, 1955

Name and Address of Operator:

Shannon Oil Co.
603 Midland Savings Bldg.
Denver 2, Colorado

Amount of Government participation $44,520.00

Percent of Government participation 75 %

Region: III State: Wyoming

for E. L. Chambers, Chief
Contract Administration and Audit Division

(Name)

(Title)

Date Delivered to Bureau of Mines, Washington.

9/14/55

54458

Government's copy

RECEIVED
SEP 26 1955

MF-200
(Revised June 1954)

Docket No. DMEA 3762

Commodity Uranium

Contract No. Idm-E 870

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

EXPLORATION PROJECT CONTRACT[1]

It is agreed this SEP 14 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] Shannon Oil Co., a limited partnership consisting of R. S. Shannon, Jr., (general partner), and W. J. Quinlin, Kathryne E. Scoville, and Phyllis L. Warnick (limited partners),
whose mailing address is 603 Midland Savings Bldg.
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, Figure 5.

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 Wyoming, County of Crook, and is described in Annex I.[3]

(b) The Operator represents and undertakes that:

(1) The Operator is the [4] lessee of [5] the surface and 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] ....., [7] ....recorded in Book ....., page ....., official records of said County; and

(2) The Operator's right, title, or interest (whether as owner, lessee, or otherwise) is subject only to the following claims, liens, or encumbrances: 1½ percent royalty interest held by owner of surface rights.

(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 of mineral rights. (Consent to Lien of lessor of surface rights is waived.)

(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 31, 1955 shall commence the work, and on or before September 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 $59,360.00. The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $44,520.00: *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 allowable under Article 6 of the contract form. The Government will contribute to the Fixed Unit Costs as they accrue for units of work actually performed. The Fixed Unit Cost includes all costs whatsoever necessary to complete the work.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O. Mittendorf
Administrator, Defense Minerals
Exploration Administration

SHANNON OIL CO.
(Operator)

By R. S. Shannon
By (GENERAL (partner)
(partner)

By
(partner)

By
(partner)

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

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EXPLORATION PROJECT CONTRACT
SHANNON OIL COMPANY
DOCKET NO. DMEA-3762

ANNEX I

The land referred to in Article 2 of the contract form consists of 160 acres, more or less, situated as follows:

The E $\frac{1}{2}$ of the N W $\frac{1}{4}$ and the W $\frac{1}{2}$ of the N E $\frac{1}{4}$ of section 27, T. 52 N., R. 66 W., 6th P. M., Crook County, Wyoming.

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EXPLORATION PROJECT CONTRACT
SHANNON OIL COMPANY
DOCKET NO. DMEA-3762

EXHIBIT "A"

Description of the Work

The object of this project is to explore both the upper and the basal uranium-bearing units of the Cretaceous Lakota sandstone formation by means of drilling. It is estimated that drill holes averaging 205 feet in depth will be required to penetrate the upper ore-bearing unit, and drill holes 270 feet in depth will be required to explore the basal unit.

The work is divided into three stages. The Operator shall perform all the work under Stage I, and shall perform so much of the work set forth under the succeeding stages as is approved in advance in writing by the Government.

STAGE I

Stage I consists of bulldozing access roads, preparing eighteen (18) drill sites, and drilling 18 holes. A group of four offset holes shall be drilled around each of AEC drill holes nos. 708, 735, 743, and 746 at points approximately 50 feet northeast, approximately 50 feet southeast, approximately 50 feet northwest, and approximately 50 feet southwest of each hole. Two holes of each group of four offset holes shall be drilled through the upper ore-bearing unit of the Lakota formation only, and the other two shall be drilled to penetrate through both the upper and the basal ore-bearing units.

In addition, two holes shall be drilled through the basal Lakota unit, one at a location approximately 50 feet northeast and another approximately 50 feet southeast of AEC drill hole no. 704.

The approximate locations of the drill holes, under this stage, are shown on the attached map, Figure 5, entitled "SHANNON OIL CO. LEASE, Layman Property, Crook Co., Wyo., Docket 3762."

It is estimated that 3,600 feet of non-core drilling and 940 feet of core drilling will be required to complete the 18 holes authorized for Stage I. However, if the drill footage estimated for Stage I drilling is not sufficient to complete the eighteen (18) holes, then with prior written Government approval, a part of the footage authorized for Stage II may be used to complete the Stage I drilling.

Not in excess of 16 hours of bulldozing shall be performed under this stage, and not in excess of 90 samples shall be taken and chemically analyzed for U_3O_8 and V_2O_5 content.

STAGE II

Stage II consists of bulldozing access roads, preparing not to exceed forty-two (42) drill sites, and drilling not to exceed 42 holes. The approximate locations of the drill holes are shown on the attached map.

No hole drilled under this Stage II shall be closer than 100 feet to any other drill hole.

Not to exceed 22 holes shall be drilled to penetrate only the upper ore-bearing unit of the Lakota formation, and not to exceed 20 holes shall be drilled to penetrate both the upper and basal ore-bearing units. Not to exceed 8,400 feet of non-core drilling and 2,060 feet of core-drilling shall be performed under this stage.

Not to exceed 8 hours of bulldozing shall be performed, and not to exceed 210 samples shall be chemically analyzed for U_3O_8 and V_2O_5 content.

STAGE III

Stage III consists of drilling not to exceed twenty (20) holes, aggregating not to exceed 4,000 feet of non-core drilling and 1,400 feet of core drilling, to further delineate ore-bearing structures discovered in the preceding stages. No hole drilled under this stage shall be closer than 50 feet to or farther than 125 feet from any other drill hole.

Under this Stage III not in excess of 100 samples shall be chemically analyzed for U_3O_8 and V_2O_5 content.

GENERAL PROVISIONS

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

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

3. The Government will not contribute to the cost of any incompleted hole, to the cost of any hole that bottoms less than AX core size, or to the cost of any hole that cannot be probed with radiometric logging equipment.

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

5. Mineralized portions of the core shall be split and the Operator shall use one-half for assay purposes. The other half of the core 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.

6. The location, inclination, direction, and extent of all work are subject to the approval of the Government.

7. Bulldozing shall be performed with D-6 bulldozer or equivalent.

ESTIMATED COSTS OF THE PROJECT

Actual Costs
(Categories 2 through 7 of Article 6(a) do not apply to this contract)

Category (1) Independent Contracts

Stage I

1) Access roads and drill sites 16 hours bulldozing @ $12.50/hr.	$ 200.00	
2) Non-core drilling 3,600 feet @ $1.75/ft.	6,300.00	
3) Core drilling 940 feet @ $3.50/ft.	3,290.00	
4) Radiometric logging 4,460 feet @ $0.10/ft.	446.00	
		$10,236.00

Stage II

1) Access roads and drill sites 8 hours bulldozing @ $12.50/hr.	$ 100.00	
2) Non-core drilling 8,400 feet @ $1.75/ft.	14,700.00	
3) Core drilling 2,060 feet @ $3.50/ft.	7,210.00	
4) Radiometric logging 10,460 feet @ $0.10/ft.	1,046.00	
		$23,056.00

Stage III

1) Non-core drilling 4,000 feet @ $1.75/ft.	$ 7,000.00

2) Core drilling 1,400 feet @ $3.50/ft.	$ 4,900.00	
3) Radiometric logging 5,400 feet @ $0.10/ft.	540.00	$12,440.00

FIXED UNIT COSTS 1/
(for all stages)

1) Incidental allowance for each foot of drilling completed, 20,400 feet @ $0.57/ft.	$11,628.00	
2) Chemical analyses for U_3O_8 and V_2O_5, 400 samples @ $5.00/each sample	2,000.00	$13,628.00
Estimated total cost of the project		$59,360.00
Government participation @ 75%		$44,520.00

1/ 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, labor, materials and supplies, equipment, etc., which would otherwise be allowable under Categories (2) through (7) of Article 6(a) of the contract form.

MF-203
Revised March 24, 1955

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AUG 25 1955

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator_____
Docket No. DMEA-_____
Contract No. Idm-E_____
Contract Date_____

CONSENT TO LIEN

To the United States of America:

Referring to that certain land in the County of Crook, State of Wyoming, described as ~~follows~~ 1/

In lease dated September 10, 1954 and recorded in Book 15 Photos Page 228 official records of said county.

_____,

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 except as conveyed to Shannon Oil Co. in above lease.

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 23 day of August, 1955.

Frank E. Laymon [Seal]
Frank E. Laymon

Anna M. Laymon [Seal]
Anna M. Laymon

_____ [Seal]

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]

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SEP 26 1955

CERTIFICATE OF LIMITED PARTNERSHIP

(In certain States called Special Partnership)

Of

SHANNON OIL CO.

This is to certify that the undersigned,

R. S. Shannon, Jr., of Denver, Colorado,

W. J. Quinlin, of Denver, Colorado

Kathryne E. Scoville, of San Francisco, California,

Phyllis L. Warnick, of San Francisco, California,

desiring to form a limited partnership under the laws of the State of Colorado, have formed a limited partnership and in that respect have agreed and do mutually agree as follows:

I.

The name of the partnership shall be

SHANNON OIL CO.

II.

The character of the business shall be generally that of acquiring by purchase or otherwise, leasing, letting, owning, holding, selling, conveying, exploiting, developing, maintaining, operating, and otherwise dealing in and with lands containing or believed to contain oil, gas, petroleum, asphaltum, mineral gases, metals, ores, coal, and other minerals and mineral substances, uranium, vanadium, and other concentrates and fissionable materials; of locating, leasing, letting, controlling, developing, exploiting, equipping, buying, selling, maintaining, and operating oil wells, gas wells, and mines or rights or interest therein; of purchasing or otherwise acquiring, producing, owning, selling, or otherwise disposing of, manufacturing, reducing, refining, milling, treating, concentrating, preparing, distilling, transporting, distributing, marketing, and otherwise dealing in and with oil, gas, petroleum, gasoline, asphaltum, carbon black, and

the products and by-products thereof, and any and all other metals, ores, minerals, and mineral substances, mineral products, and by-products thereof, uranium, vanadium, and other concentrates and fissionable materials, and the products and by-products thereof; of acquiring by purchase or otherwise, constructing, leasing, letting, owning, holding, selling, mortgaging, conveying, equipping, maintaining, operating, and otherwise dealing in and with pipe lines, refineries, mines, mills, concentrating plants, processing plants, reduction plants, and any and all other machinery, appliances, and apparatus for protecting, storing, transporting, distributing, milling, processing, marketing, treating, manufacturing, distilling, refining, reducing, preparing, concentrating, or otherwise dealing in and with oil, gas, petroleum gasoline, asphaltum, carbon black, and any and all other metals, ores, coal, and other minerals, the products and by-products thereof, mineral substances, and the products and by-products thereof; uranium, vanadium, and other concentrates and fissionable materials, and the products and by-products thereof; of acquiring by purchase, lease, or otherwise and to own, hold, sell, convey, hypothecate, encumber, pledge, and otherwise deal in and with as principal, agent, or otherwise, oil, gas, and mining royalties, royalty contracts, leases, leaseholds, agreements, mining claims, rights, concessions, and privileges, and of collecting, holding, disbursing, distributing, investing, and otherwise dealing in and with royalties, overriding royalties, and royalty and overriding royalty interests; of establishing and maintaining a drilling business and of owning and operating drilling rigs, machinery, tools, and the apparatus necessary in the boring or sinking of wells for the production of oil, gas, and/or water, or for the milling, mining, processing, or concentrating of metals, ores, minerals, mineral substances, uranium, vanadium, and other concentrates and fissionable materials, or either or any of them, and the purchase and sale

of such goods, wares, and merchandise for such business; of acquiring by purchase or otherwise and to establish and conduct the business of oil well drilling contractors and mining and milling contractors and allied and interdependent lines of business and of mining, milling, drilling, boring, or otherwise developing and producing oil, gas, coal, metals, ores, or other minerals or mineral substances, uranium, vanadium, and other concentrates and fissionable materials, and to contract for the drilling of oil, gas, and/or water wells for other persons or corporations; of purchasing, taking, owning, holding, selling, leasing, dealing in, mortgaging, or otherwise encumbering, exchanging, and disposing of property of all kinds, real, personal, and mixed, improved or unimproved, developed or undeveloped, either for cash or for credit or otherwise; of investing and reinvesting any of the moneys or proceeds received from any of the partnership property in any business pursuit or enterprise; of loaning money and extending credit and taking security therefor; of encumbering, mortgaging, exchanging, leasing, and selling any and all of the partnership property, improved or unimproved, developed or undeveloped; of acquiring by purchase or otherwise the good will, rights, and property, and of undertaking the whole or any part of the assets and liabilities of any person, association, or corporation, and to pay for the same in cash or otherwise; of acquiring by purchase or otherwise shares of stock of any corporation; and in general of doing all things necessary in the discretion of the partnership to specifically carry out the purposes herein specified.

III.

The location of the principal place of business of the partnership shall be in the City and County of Denver, Colorado, until changed, but the partnership shall have the right to conduct

all or part of its business in such other places, states, and territories of the United States, District of Columbia, and foreign countries as the general partner or general partners may from time to time determine, and shall do such acts and things and file such instruments in writing as may be necessary for the partnership to conduct its business in such other places, states, territories, and counties, and in the District of Columbia.

IV.

R. S. Shannon, Jr., shall be the general partner, and R. S. Shannon, Jr., W. J. Quinlin, Kathryne E. Scoville, and Phyllis L. Warnick shall be limited partners, (under the laws of certain states known as special partners.) R. S. Shannon, Jr. and W. J. Quinlin each reside in the City and County of Denver, Colorado, and Kathryne E. Scoville and Phyllis L. Warnick each reside in San Francisco, California. No person may be a general partner who is not also a limited partner. The right is given to the partners to admit both additional general and limited partners to the partnership by writing signed by all of them.

V.

The partnership shall be effective as of the 20th day of November, 1953, and shall exist until the 20th day of November, 1993, unless sooner terminated by the agreement of the partners, general and limited, or by the retirement, death, or mental incompetency of the general partner or general partners, and upon termination each limited partner shall be entitled to receive his or her proportion of the net realizable assets of the partnership in the amount, proportionately that his or her contributed capital in the partnership bears to the whole of its then contributed capital.

VI.

The amount of capital contributed by the limited partners in cash and a description of and the agreed value of the other property contributed by each limited partner are as follows:

Name of Partner	Cash Contri-buted	Other Property Contributed	Agreed Value of other Property Contributed	Pro-portion
R. S. Shannon, Jr.	$2342.70	37,530 shares of Pioneer Oil Corporation capital stock	$75,060.00	46.85393%
W. J. Quinlin	$ 312.73	5,010 shares of Pioneer Oil Corporation capital stock	$10,020.00	6.25468%
Kathryne E. Scoville	$1562.42	25,030 shares of Pioneer Oil Corporation capital stock	$50,060.00	31.24844%
Phyllis L. Warnick	$ 782.15	12,530 shares of Pioneer Oil Corporation capital stock	$25,060.00	15,64295%
Total	$5000.00	80,100 shares	$160,200.00	100%

No additional sums of money paid into the partnership, credits for unwithdrawn net profits, or any other credits of any kind whatsoever, shall be construed to be an addition to the contributed capital set forth above unless approved by all of the limited partners, and the limited partners have not agreed to make any further contributions.

VII.

The contribution of each limited partner is to be returned only upon termination of the partnership or at such time as all of the partners, both general and limited, may agree, except as otherwise herein provided.

VIII.

In addition to the contributed capital of each limited partner, each limited partner may with the consent of the limited partner, or limited partners who is or are also a general partner or general partners pay into the partnership additional sums of money from time to time. Said additional sums of money, if any, shall be accounted for as partnership capital

separately and apart from the contributed capital of the limited partners paying in said sums. Said additional sums paid into the partnership, as herein provided, may be repayable and may bear interest payable at such times and at such rates per annum as the general partner or general partners may agree with the limited partners from whom such additional sums of money are received. The amount of interest paid or accrued as herein provided shall be a charge against the partnership profits before any distribution of partnership net profits as hereinafter provided. The general partner, or general partners notwithstanding any prior understandings or agreements, shall always have the sole and exclusive discretion and right to cause the partnership to repay in whole or in part the aggregate amount of said additional sums of money so paid in, as herein provided, by any limited partner.

IX.

Each limited partner and substituted limited partner, (but no assignee of either thereof who is not a substituted partner,) shall be entitled to share in the net profits of the partnership and to receive credit, at least yearly, for the proportion of the net profits that his or her then contributed capital bears to the total contributed capital. Net losses of the partnership determined at least yearly are to be shared by each partner in the proportion that his or her then contributed capital bears to the total contributed capital; provided, however, that net profits or losses shall be determined only after paying, accruing, or otherwise making provision for:

(a) General and limited partners' monthly salaries as may be determined at the discretion of the general partner or general partners from time to time.

(b) Interest payable or accruable to limited or general partners by reason of sums of cash paid in as partnership capital to the partnership, other than contributed capital sums, as hereinbefore provided; and

(c) Interest payable or accruable to limited or general partners by reason of sums in cash which may be loaned to the partnership, exclusive of additional partnership capital as heretofore provided (exclusive of contributed capital).

X.

The right is not given to any limited partner, but is denied to substitute an assignee as contributor in his or her place; provided, however, such substitution shall occur from time to time upon assignment by one limited partner to another limited partner (either original or substitute) or to any person as might inherit from any limited partner all or part of his or her contributed capital interest in the partnership by devise, bequest, or descent and provided, also, that upon the death or mental incompetency of a limited partner or previously substituted limited partner, the heirs, personal representatives, legatees or devisees entitled upon termination to receive the contributed capital interest in the partnership of the one so dying or so becoming mentally incompetent, shall be substituted as a contributor in the place of the one so dying or so becoming mentally incompetent, and be entitled to a pro rata share in the profits and shall bear a pro rata share of the losses as a substituted limited partner.

XI.

R. S. Shannon, Jr., as the general partner, shall control and manage the business of the partnership; and he shall not be

required to devote substantially all of his working time to the business and affairs of the partnership but only such of his working time as in his individual discretion he feels should be devoted to the business and affairs of the partnership.

XII.

The retirement, death, or mental incompetency of limited partners shall not dissolve the partnership; and in the event there is more than one general partner the death, retirement, or mental incompetency of one general partner shall not dissolve the partnership, but the surviving general partner or general partners shall have the right to continue, control, and manage the partnership business until termination of the partnership. The estate of such deceased or mentally incompetent general partner or such retiring general partner shall have no right, title, or interest in the partnership, its assets or business, other than as a limited partner by reason of the ownership of a contributed capital interest.

XIII.

The limited partners may not take part in the control of the business of the partnership and shall not be liable for the partnership debts, nor be bound by the partnership obligations, but their contributed capital shall be liable and bound and the general partner or general partners shall have all of the rights and powers and be subject to all of the risks and liabilities of a partner in a partnership without limited partners, except as in this agreement provided. As such, the general partner or general partners shall have the right, power, and authority to sell, lease, transfer, convey, and encumber all of the assets real, personal, and mixed of the partnership, and to enter into contracts for or on behalf of the partnership, and no third person dealing with him or them need look to the application of the proceeds from any such transaction, nor inquire as to written directions or authority

with respect thereto, which may or may not have been given him or them.

XIV.

Upon the termination of the partnership such of the net realizable assets as consist of cash, and as may be readily converted into cash shall be so converted and the proceeds therefrom shall be distributed to the general and limited partners in the proportions hereinbefore specified; provided, however, as to the real property, oil and gas leases, mining leases, oil or gas royalties, overriding royalties, operating agreements, and other agreements covering oil and gas leases or mining leases, or interests therein, owned by the partnership, the general and limited partners upon termination of the partnership shall be and become vested with undivided interests therein, as tenants in common, in the proportions of the invested capital interests as above provided.

XV.

The limited partners shall have no right to demand and receive property other than cash upon any distribution except as otherwise herein provided for in paragraphs XIV and XVII.

XVI.

The first fiscal year of the partnership shall be determined by the general partner or general partners. However, said first fiscal year of the partnership shall not extend beyond April 30, 1954. The general partner or general partners may at his or their discretion at any time and from time to time change the ending of the partnership's subsequent fiscal year or fiscal period.

XVII.

If at any time while this agreement is in full force and effect a limited partner or his or her heirs or personal representatives elects to terminate his or her interest in said partnership,

by reason of the death or mental incompetency of such partner or a desire by such partner to terminate his or her interest in the partnership, such limited partner or his or her heirs or personal representatives shall give written notice of such intention to terminate the interest of such partner in the partnership to the general and other limited partners, and the general and other limited partners, or any or all of them, shall have an option for five (5) months from the date of receipt of such notice to purchase such interest in said partnership, at a price to be determined as follows: Upon receipt of such notice of intention to terminate the interest in said partnership, all of the oil and gas and other mineral, metal, and fissionable material interests, leasehold estates, royalties, and overriding royalties listed in the balance sheet of the partnership, certified by the partnership's certified public accountant or accountants, as of the last day of the month in which said notice is given, shall be appraised at their fair market value by a competenent petroleum engineer or engineers or geologist or geologists selected by mutual agreement of all of the parties, general and limited. In the event all of the partners cannot agree upon the petroleum engineer or engineers or geologist or geologists to make such appraisal within one month from the date of receipt of such notice, then DeGolyer and MacNaughton, Petroleum Engineers of Dallas, Texas, shall be employed to make such appraisal. The fair market value as so determined by such engineer or engineers, geologist or geologists, shall be the value of all of said oil and gas and other mineral, metal, and fissionable material interests, leasehold estates, royalties, and overriding royalties listed in said balance sheet. The value of all of the other assets listed on the aforementioned balance sheet shall be determined on the basis of the value as set forth in the said balance sheet. The value of the interest of such partner shall be determined to be his or her proportionate share (based

upon the amount that his or her contributed capital in the partnership bears to the total contributed capital of the partnership) of the total assets of the partnership listed in said balance sheet and valued as above provided, less all of the partnership's liabilities listed in said balance sheet and all partnership capital other than contributed capital listed thereon, plus his or her proportionate share of partnership capital other than contributed capital, and the value as so determined shall be the purchase price.

In the event any or all of such other partners elect to exercise the option and purchase such interest, the purchase price shall be paid to such partner or to his or her heirs or personal representatives, and the interest in the contributed capital in the partnership of such partner so acquired by the other partner or partners shall be transferred to the contributed capital account of the partner or partners so electing to purchase such interest, in the proportion that each purchasing partner or partners interest in the contributed capital of the partnership bears to the total interest in the contributated capital of the partnership of such partner or partners so purchasing such interest.

In the event none of the other partners elect to purchase the interest of such partner at the price as so determined, within five (5) months from the date of receipt of such notice, such partner or his or her heirs or personal representatives shall, within six (6) months after the date said notice is received by said partners, receive for said partner's interest in the partnership:

(a) Written assignments effective as of 7:00 o'clock a.m. of the first day of the month following the expiration of the six month period provided for above, covering an undivided interest as a tenant in common in the same proportion as the interest he or she had in the contributed capital of the partnership in all of the

oil and gas and other mineral, metal, and fissionable material interests, leasehold estates, royalties, and overriding royalties or other interests owned or held by or for the account of the partnership at that time, said interests so conveyed to be subject to all direct obligations, if any, secured by such oil and gas and other mineral, metal, and fissionable material interests, leasehold estates, royalties, and overriding royalties or other interests in the same proportion. The said oil and gas and other mineral, metal, and fissionable material interests, leasehold estates, royalties, and overriding royalties or other interests in their entirety, and all direct obligations, if any, secured by such oil and gas and other mineral, metal, and fissionable material interests, leasehold estate, royalties, and overriding royalties or other interests shall not thereafter be considered in any computation of partnership net assets or liabilities.

(b) A sum of money equal to the net book value of the remaining assets as of the close of business of the last month of said six month period, provided for above, in which the aforementioned notice is received, after deducting all liabilities (exclusive of all obligations directly secured by the oil and gas and other mineral, metal, and fissionable material interests, leasehold estates, royalties, and overriding royalties and other interests, referred to in (a) above) including partners loans, if any, in the same proportion as the interest of the deceased, mental incompetent, or withdrawing partner in the contributed capital of the partnership at that time. The net book value of the remaining assets shall be determined in accordance with the policy of accounting of the partnership, particularly in respect to depreciation and depletion, except the value of the good will of the business and the trade name shall be fixed for this purpose at One Thousand Dollars ($1,000). The net book value of the remaining

assets shall be determined by the Certified Public Accountant regularly employed to examine the partnership accounts, and if no Certified Public Accountant is regularly employed, then by a Certified Public Accountant to be selected by a majority of the limited partners.

XVIII

If at any time during the continuance of the partnership the parties hereto shall deem it necessary or expedient to make any alterations, amendments, or additions hereto, it may be done by all partners signing and swearing to a certificate supplemental hereto.

XIV.

This certificate of partnership and partnership agreement is made and entered into pursuant to the so-called "Uniform Limited Partnership Law" (1935 Colorado Statutes Annotated, Ch. 123, Secs. 44-72), and, except as hereinabove expressly provided, the rights and liabilities of the partners, general and limited, shall be as in the said law specified.

Signed as of the 20th day of November, 1953.

R. S. Shannon Jr.

R. S. Shannon, Jr.

W. J. Quinlin

W. J. Quinlin

Kathryne E. Scoville

Kathryne E. Scoville

Phyllis L. Warnick

Phyllis L. Warnick

STATE OF COLORADO)
) ss
CITY AND COUNTY OF DENVER)

R. S. Shannon, Jr. and W. J. Quinlin each being first duly sworn, upon oath depose and say:

That they are two of the four partners above named, that they have read the foregoing Certificate of Limited Partnership of Shannon Oil Co. and know its contents, and that it is true of their own knowledge.

R. S. Shannon, Jr.

R. S. Shannon, Jr.

W. J. Quinlin

W. J. Quinlin

Signed, sworn to, and acknowledged before me this 20th day of November, 1953.

My commission expires June 27, 1954

William C. Vandegriff
Notary Public

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN FRANCISCO)

Kathryne E. Scoville and Phyllis L. Warnick each being first duly sworn, upon oath depose and say:

That they are two of the four partners above named, that they have read the foregoing Certificate of Limited Partnership of Shannon Oil Co. and know its contents, and that it is true of their own knowledge.

Kathryne E. Scoville

Kathryne E. Scoville

Phyllis L. Warnick

Phyllis L. Warnick

Signed, sworn to, and acknowledged before me this 23rd day of November, 1953.

My commission expires Jan. 3, 1955

Irene Terespy
Notary Public

STATE OF COLORADO)
CITY AND COUNTY OF DENVER) ss

On this 20th day of November, 1953, before me personally appeared R. S. Shannon, Jr. and W. J. Quinlin, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

Given under my hand and notarial seal this 20th day of November, A. D. 1953.

William C. Vandegrift
Notary Public

My commission expires on the 27th day of June, A.D. 1954.

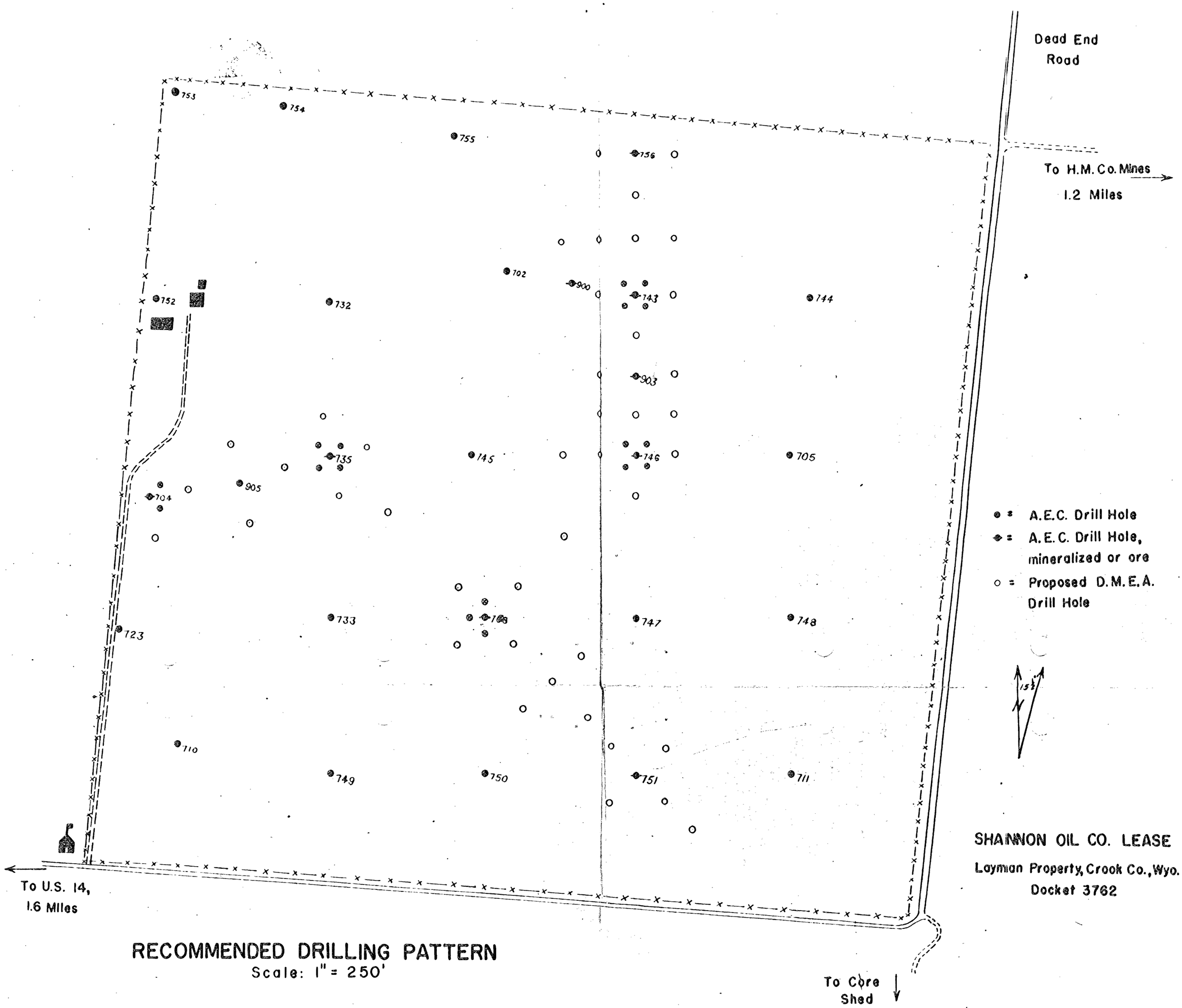
STATE OF CALIFORNIA)
COUNTY OF SAN FRANCISCO) ss

On this 23 day of November, 1953, before me personally appeared Kathryne E. Scoville and Phyllis L. Warnick, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

Given under my hand and notarial seal this 23rd day of November, A.D. 1953.

Irene Lerczak
Notary Public

My commission expires on the 3 day of January A.D. 1955.



RECOMMENDED DRILLING PATTERN
Scale: 1" = 250'

Fig. 5