UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION 500
WASHINGTON 25, D. C.

RECEIVED
JUL 25 1956

PROJECT SUMMARY REPORT

By: W. R. Griswold July 6, 1956

1. Docket No. DMEA-487 (Lead-Zinc)
Contract No. Idm-E26
Property: Big Indian Claim
San Juan County, Colorado

Operator: Silver Bay Mines, Inc.
670 Pearl Street
Denver, Colorado

Operator's Property Rights: Owner

2. Contract dated June 22, 1951. - Amended Contract dated April 13, 1953.

Work Authorized (under Amended Contract)

Stage I

329.5 feet of drifting and 86.5 feet of crosscutting @ $51.68/ft.	$21,500.00

Stage II

200 feet of drifting @ $45.50	9,100.00
Total estimated cost of project	$30,600.00
Government's participation, 50%	$15,300.00

Amendments

No. 1 Dated August 24, 1951.

Increases supervision allowances.

No. 2 Dated June 18, 1952.

Extends completion period from 6 to 18 months.

Amendments to Amended Contract

No. 1 Dated November 6, 1953.

Extends completion period from October 31, 1953 to November 30, 1953.

No. 2 Dated February 5, 1954.

Recesses work for period November 30, 1953 to May 1, 1954.

Extends completion period to October 13, 1954.

No. 3 Dated May 5, 1954.

Extends recess period from May 1, 1954 to July 1, 1954.

No. 4 Dated August 11, 1954.

Recess period is extended to September 1, 1954. Completion period is extended to February 13, 1955.

If work is not resumed by September 1, 1954 contract becomes automatically terminated as of November 30, 1953. Also a pseudo certification takes effect, having the same effect as a certification.

Repayment period extended from 10 to 12 years from contract date.

No. 5 Dated October 28, 1954.

Recess period continued to August 1, 1955.

Completion time extended to October 13, 1955.

Repayment period extended to 13 years from contract date.

No. 6 Dated September 16, 1955.

Recess period extended to November 1, 1955.

Completion period extended to October 13, 1956.

Royalty repayment period extended to 14 years from contract date.

Work Completed

Stage I

3,295 ft. drifting & 86.5 ft. crosscutting @ $49.26/ft. $20,493.29

Stage II

113 ft. drifting @ $45.50/ft.	$ 5,141.50
Total	$25,634.79
Property disposal	572.79
Total net cost of project	$25,062.00
Government's share, 50%	$12,531.00

Project automatically terminated by provisions of Amendment No. 6, effective November 30, 1953.

3. Report of Review dated June 7, 1956.

4. Certification of discovery.

Pseudo-certification in effect.
Ore estimates about 900 tons, 3.1% Pb, 4.5% Zn, 0.27 Cu, 2.3 oz. Ag and 0.02 oz. Au.

5. Comments

It is concluded that exploration was done in what may be an unpredictably broken-up segment of the Big Indian vein, and that the only discovery amounts to 900 tons of indicated ore, sub-marginal in grade. It is also concluded that the small amount of exploration on the vein, which has been traced on the surface for some 1,100 feet northwest of the segment explored, has neither proven nor disproven the ore potential of the Big Indian vein. As. W. S. Burbank pointed out at the time the originial application was being considered, from 1,000 to 2,000 feet of drifting on the Big Indian vein would be necessary to establish or disprove its worth as a major source of lead and zinc.

Nevertheless the work which was done certainly gave little reason to believe that this vein was of any significant importance as a potential source of lead and zinc.

W R Griswold

W. R. Griswold

WRG/er
Copy to: Docket
Base Metals
Chron.

☒ Audited

☒ Certified 11/1/55 Amendo.

WORK ANALYSIS SHEET - DMEA PROJECT

Analysis as of 3/25/55.
Incl. Voucher for Nov. 1953.

☒ Actual Cost

*☒ Agreed Unit Costs

Name SILVER BAY MINES, INC.

Docket No. 487

State COLORADO

Commodity LEAD-ZINC/

Idm-E No. 26

OPERATION	AUTHORIZED Units	AUTHORIZED Cost	COMPLETED Units	COMPLETED Cost	NET COST
Drifting & Crosscutting	416'	20,776.00	416'	$19,769.29	$19,769.29
*	200'	9,100.00	113'	5,141.50	5,141.50
Raising					
Shafts					
Winzes					
Drilling (Specify)					
Surface Excavation					
Underground Excavation					
Roads and Trails					
Operating Equipment Purchased		724.00		724.00	151.21
Surface Rehabilitation & Repairs					
Underground Rehabilitation					
New Building, Improvements, etc.					
Other (Specify)					
Totals		30,600.00		25,634.79	25,062.00

Date of original Contract - June 27, 1951.
Date of Contract - April 13, 1953.
Check with Audit. 5 'at to 1 Hoffman' disallowed on Nov 1953.
Check adjt
Amend No. 6. Extends recess to Nov. 1, 1955. Completion date extended to Oct. 13, 1956.
Royalty period extended to 14 years.
Proceeds from property disposition $572.79
Pseudo Certification on Amends. 4+6.
automatically terminated as of 11/30/53 under Amends. 4+6
Field Team Final Report received June 21, 1956.
Operator's Final Report received June 21, 1956.
Project Summary Report written

Prepared by W. P. Klugescheid
Ore Reserves
Indicated 900 tons @ 3.1% Pb, 4.5% Zn, 0.5% Cu, 0.023 oz. Au + 2.3 oz. Ag.

71626

Silver Bay Mines — Inc — Colorado — 487

416'		20,776.00
~~450'~~	Drifting & Crosscutting	~~20,600.00~~
200'	" " 45.50 agreed price	9,100.00
		724.00
Equip. Purchase		~~900.00~~
		30,600.00
		~~21,500.00~~

~~Spent~~ ~~Nov.~~ ~~Dec.~~ 1953.

416'	Drift & XCS. (Checks Audit)	19,769.29
113'	"	~~2,430.00~~
~~60'~~		5,141.50
Equip. Purchase		724.00
		25,634.79
	Checks Audit. ~~#~~	~~23,223.29~~

(5' not allowed in November 1953)

Audit

24,230.00

Excess 1,006.71

~~$23,223.29 accepted~~

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	Selfridge	120
		110
		220

FEB 15 1966

Mr. C. V. Liljenquist
Secretary
Silver Bay Mines, Inc.
1117 East 7th Place
Mesa, Arizona 85201

Re: DMEA-487 (Lead-Zinc)
Silver Bay Mines, Inc.
Black Hawk Mine
San Juan County, Colorado
Amended Contract Idm-126

Dear Mr. Liljemquist:

By the terms of Amendments 4 and 6 and Annex IV of the subject Amended Exploration Project Contract, as amended, all minerals mined or produced from June 27, 1951, to June 27, 1965, were subject to the Government's royalty as set forth in said amended contract.

As the period during which production was subject to royalty has now expired, the Government according to its present records retains no claim or lien against the property subject to the amended contract or any future production therefrom. Your attention, however, is called to the provisions of the amended contract which require the Operator to keep and preserve certain records for the periods indicated.

Sincerely yours,

(signed) FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's Reading File
Division File
Economic Geology File
DMEA Docket
CA&A
Region III w/cy of inc. 63
OME Reading File
Branch of Budget & Finance, 5408
120M

GCSelfridge/mm (2/15/66)

23263

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 3 1962

DATE	INITIALS

Building 20 - Federal Center
Denver 25, Colorado

November 27, 1962

Memorandum

To: Fiscal Section, Division of Administrative Services
Office of the Secretary, Department of the Interior
Washington 25, D. C.

From: Acting Field Officer, OME, Region III

Subject: DMEA-487 (Zinc-Lead)
Amended Contract Idm-E26
Silver Bay Mines, Inc.
(Black Hawk Mine)
San Juan County, Colorado

Attached is the original Report of Royalty Review dated November 19, 1962 on the subject property covering the period June 10, 1959, through November 2, 1962.

Original signed by

Hugh M. Connors

Attachments
cc Chief, Division of Field Operations, OME
E. D. Talbert, Acting Chief
Contract Administration and Audit Division
Royalty Corres. Idm-E26
Chron
HMC/lm

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
		220

November 20, 1962

Memorandum

To: Acting Field Officer, Region III

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

Subject: DMEA-487 (Zinc-Lead)
Silver Bay Mines, Inc.
Black Hawk Mine
San Juan County, Colorado
Amended Contract Idm-E26

The original and one copy of a Report of Royalty Review covering the subject contract are enclosed. If you concur in the facts stated therein, please make the following distribution:

(a) Original to the Fiscal Section, Division of Administrative Services, Office of the Secretary, Department of the Interior, Washington 25, D. C.; and

(b) One copy for your files.

This Report of Royalty Review is made for record purposes only; therefore, no copy for the Operator is provided.

As evidence of your concurrence, a copy of your memorandum transmitting the original report to the Fiscal Section should be furnished this Division. If for any reason you do not concur, both copies of the report should be returned to this Division with your comments.

Enclosures

EDTalbert/ama 11-20-62

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

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
Building 20 - Federal Center
Denver 25, Colorado

OFFICIAL FILE COPY
O. M. E
RECEIVED OCT 24 1962

DATE	INITIALS	CODE
10/24	[illegible]	800
	[illegible]	500
		220

October 22, 1962

Memorandum

To: George C. Selfridge, Chief
Division of Field Operations, OME
Washington 25, D. C.

From: Acting Field Officer, OME, Region III

Subject: DMEA-487 (Lead-Zinc)
Contract Idm-E26
Silver Bay Mines, Inc.
(Black Hawk Mine)
San Juan County, Colorado

This responds to your memorandum dated October 9 on the subject contract.

Please note on the attached copies of a letter from Mr. Wyman that Mr. Liljenquist's new address is 1117 East 7th Place, Mesa, Arizona. I am forwarding the original and two copies of MME Form 63 to Mr. Liljenquist's new address.

Hugh M. Connors

Hugh M. Connors

Oct. 18, 1962.

Dear Mr. Connors:

In regard to the Silver Bay Mines Inc. they have carried on an active development program this past summer.

Mr. C.V. Liljenquist has been in Silverton the greater part of the spring and summer directing the work. His address is: 1117 East 7th Place, Mesa, Arizona.

The taxes are paid on this property except for the 2nd. half of 1961 payable in 1962.

Sincerely,

Bob Wyman

OME
DEPARTMENT OF THE INTERIOR
OCT 19 1962
REGION III
DENVER, COLORADO

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
Building 20 - Federal Center
Denver 25, Colorado

October 16, 1962

Mr. Robert Wyman, Treasurer
San Juan County
Silverton, Colorado

Re: DMEA-487 (Lead-Zinc)
Contract Idm-E26
Silver Bay Mines, Inc.
(Black Hawk Mine)
San Juan County, Colorado

Dear Bob:

The Government has subordinated the Big Indian patented lode mining claim, U. S. Survey No. 14325, in the Gladstone Mining District under the captioned contract. Our records show that Mr. C. V. Liljenquist was Secretary of the Silver Bay Mines, Inc. but we are unable to contact him. Any information you can give me concerning his whereabouts or the present location of anyone connected with the Silver Bay Mines, Inc. would be appreciated.

Also will you please advise if the taxes are paid on this property and if so by whom, and their present address?

Your help in this matter will be greatly appreciated.

Yours very truly,

Hugh M. Connors

Hugh M. Connors
Acting Field Officer, OME
Region III

"OVER"

Building 20 - Federal Center
Denver 25, Colorado

OFFICIAL FILE COPY
O. M. E
RECEIVED OCT 18 1962
INITIALS CODE
10/18 Geo 18 00
Gradwell 500

October 16, 1962

Mr. Robert Wyman, Treasurer
San Juan County
Silverton, Colorado

Re: DMEA-487 (Lead-Zinc)
Contract Idm-E26
Silver Bay Mines, Inc.
(Black Hawk Mine)
San Juan County, Colorado

Dear Bob:

The Government has subordinated the Big Indian patented lode mining claim, U. S. Survey No. 14325, in the Gladstone Mining District under the captioned contract. Our records show that Mr. C. V. Liljenquist was Secretary of the Silver Bay Mines, Inc. but we are unable to contact him. Any information you can give me concerning his whereabouts or the present location of anyone connected with the Silver Bay Mines, Inc. would be appreciated.

Also will you please advise if the taxes are paid on this property and if so by whom, and their present address?

Your help in this matter will be greatly appreciated.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer, OME
Region III

HMC/lm
cc Chief, Division of Field Operations, OME
Royalty Corres Idm E26
Chron

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
10/9	Griswold	500
10/9	Talbot	800
10/9	[illegible]	130
"	Johnson	110
10/9	Farrell	100
		220

OCT 9 1962

Memorandum

To: Acting Field Officer, Region III

From: Chief, Division of Field Operations

Subject: DMEA-487 (Lead-Zinc)
Silver Bay Mines, Inc.
Black Hawk Mine
San Juan County, Colorado
Contract Idm-E26

We are enclosing three copies of MME Form 63, dated September 24, 1962, which have been returned to us. If you have a more recent address for Mr. Liljenquist (or for any other official of the subject company), will you please forward the enclosed forms.

Otherwise, perhaps the State Mine Inspector might be kind enough to advise you regarding the recent status of this property.

George C. Selfridge

(for)

Enclosures

WRGriswold/gla
10-9-62
cc to: Director's Reading File
Review Committee
Docket
Code 500

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
6/15	a	220
6/15	~~to file~~	500
		225

JUN 12 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-487 (Zinc-Lead)**
Silver Bay Mines, Inc.
Contract No. Idm-E26

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

EDTalbert/ama
June 12, 1959

Copy to: Docket
Director's Reading File
CA & A Division

File Copy
Surname
Griswold
FEJohnson

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

AUG 2 8 1956

Mr. Don H. Trumble
VanBoskirk-Remington-Fry
and Associates
Public Accountants
216 North Eleventh Street
Lincoln, Nebraska

Re: Docket No. DMEA-487 (Lead-Zinc)
Silver Bay Mines, Inc.
Big Indian Claim
San Juan County, Colorado
Amended Contract No. Idm-E26

Dear Mr. Trumble:

We have your letter of August 20, inquiring as to the cited exploration project.

The Government contributed 50 per cent of the total cost of $25,062.00 for this exploration project. However, the reports of its staff on the results of the project are for the confidential use of the Government only and are not made available to the public. We also receive reports from the Operator; but the contents of these reports are not released without the written permission of the Operator. Upon receiving a specific written request from the Operator, we shall be glad to furnish you with any information that can be made available.

Sincerely yours,

Frank E. Johnson

ACTING Administrator

WmGriswold/er 8/28/56
Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Region III (2)
Chron.

VANBOSKIRK·REMINGTON·FRY
AND ASSOCIATES
Public Accountants
216 NORTH ELEVENTH STREET
LINCOLN, NEBRASKA

C. B. REMINGTON, C. P. A.
MEMBER AMERICAN INSTITUTE OF ACCOUNTANTS

WILLIAM A. FRY, C. P. A.
MEMBER AMERICAN INSTITUTE OF ACCOUNTANTS

ROSCOE E. WARD
L. D. VANBOSKIRK
DON H. TRUMBLE

~~Answered~~ X

August 20, 1956

RECEIVED
AUG 23 1956

Mr. C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration
New Interior Building
Washington 25, D.C.

Re: Silver Bay Mining Corp.
Salt Lake City, Utah
Blackhawk Mine
Silverton, Colorado

487

Dear Mr. Mittendorf:

We are writing on behalf of a client who has invested a large sum of money in subject corporation's stock. It is our understanding that your department advanced money for exploration purposes from 1953 to 1955. If possible, we wish to be furnished with copies of reports as to findings of ore and estimated potential value of such ore; such as assay reports, feasibility of extracting and transportation of ore, etc.

Also please advise if your department has issued any reports to subject corporation on estimated quantity and value of ore or mineral deposits.

An early reply will be appreciated.

Very truly yours,

VANBOSKIRK, REMINGTON, FRY AND ASSOCIATES

By Don H. Trumble

DHT:ds

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

RECEIVED
JUN 28 1956

June 28, 1956

Memorandum

To: W.R. Griswold, Defense Minerals Exploration Administration

From: Abbott Renick, Branch of Base Metals

Subject: Review of final field team reports, DMEA 487X, Idm-E26 (Lead-Zinc), Silver Bay Mines, Inc., San Juan County, Colorado

The applicant's exploration work completed consisted of 529 feet of crosscutting and drifting at a total accepted cost of $25,062.00, in which the Government participated to the extent of 50 percent, or an amount of $12,531.00.

A discovery of about 900 tons of indicated ore, submarginal ingrade, has resulted from the exploration.

The informative report of the examiners supports their conclusions and the recommendation of the field team that no additional government funds be spent on this property at this time.

I concur with the recommendation of the field team.

Abbott Renick

Copy to Division of Minerals
R.W. Geehan, Room 3608
T.H. Kiilsgaard, Room 5224
O.M. Bishop
A. Renick
FILES

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

RECEIVED
JUN 21 1956

[redacted]
Denver 2, Colorado

June 18, 1956

[redacted]

To: Chairman, Operating Committee, DMEA

From: DMEA Field Team, Region XIX

Subject: Docket DMEA 487X (Lead-Zinc), Contract I-DMA-226, Silver Bay Mines, Incorporated, San Juan County, Colorado - FIELD TEAM FINAL REPORT.

Enclosed are the following final reports pertaining to work completed under the subject contract:

1. Original and one copy of the Operator's final report.

2. Original and three copies of a joint engineering and geologic report, dated April 4, 1956, by R. E. Maclaren, Geologist, Geological Survey, and C. M. Harper, Mining Engineer, Bureau of Mines.

The contract was terminated under the provisions of Amendment No. 4 as amended by Amendments Nos. 5 and 6 for unsatisfactory of work by the Operator after a period of suspension of operations.

Final payment to the Operator was processed by this office June 18, 1956, in conformance with the report of review of contract expenditures by the Contract Administration and Audit Division, dated June 7, 1956, which was released to this office June 14, 1956.

The exploration work completed consisted of 589 feet of crosscutting and drifting at a total accepted cost of $25,062.00, in which the Government participated to the extent of 50%, or an amount of $12,531.00.

The Government's right to a percentage royalty on all production, in conformance with the terms of the contract, is protected by the provisions of a pseudo certification incorporated into Amendment No. 4 to the contract.

Reviewed by
DMEA OPERATING COMMITTEE
6-25-56
(date)

W. M. Tower
W. M. Tower

E. N. Hartman
E. N. Hartman

Enclosures

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

RECEIVED
JUN 21 1956

DMEA
Date Rec'd.
APR 11 1956
BUREAU OF MINES
Denver, Colorado

REGION III

Building 20
Denver Federal Center
Denver 2, Colorado
April 11, 1956

Memorandum

DMEA
Date Rec'd.
MAY 4 1956
BUREAU OF MINES
Denver, Colorado

To: Executive Officer, DMEA Field Team, Region III

From: E. N. Harshman
John F. Shaw

Subject: Joint final report, DMA 487X, Contract Idm-E26, Silver Bay Mines, Inc., Blackhawk mine (Lead-zinc) San Juan County, Colorado

Enclosed are the original and 7 copies of a joint final report by C. M. Harrer, mining engineer, and D. R. MacLaren, geologist, covering the work performed under contract Idm-E26.

Contract Idm-E26, dated June 27, 1951, provided for exploration of the Big Indian vein from the Blackhawk mine tunnel. The project included 150 feet of crosscutting and 600 feet of drifting at an over all estimated cost of $21,500.00.

Silver Bay Mines, Inc. requested additional funds on November 25, 1952. The revised two-stage contract was negotiated on April 13, 1953. Stage I included all the project work completed under the contract, and Stage II provided for 200 feet of additional drifting along the Big Indian vein at a unit cost of $45.50 per foot and a total cost of $9,100.00.

The amended contract was terminated on November 30, 1953 with 87 feet of drift remaining to complete the contract.

The total expenditures approved under the contract are $25,634.79. The Government retains royalty rights on the property by a pseudo-certification included in amendments 4 and 6 to the revised contract.

A discovery of about 900 tons of indicated ore, sub-marginal in grade, has resulted from the exploration.

It is believed that additional work on this project is not warranted and it is recommended that no additional Government funds be spent on this property at this time.

E. N. Harshman

E. N. Harshman
Member Field Team

JFS/mw
cc: 7
ENHarshman
Idm-E26
Chron.

Reviewed by
DMEA OPERATING COMMITTEE
6-25-56
(date)

John F. Shaw

John F. Shaw
Supervising Mining Engineer

UNITED STATES
DEPARTMENT OF THE INTERIOR
DOUGLAS McKAY, SECRETARY

RECEIVED
JUN 21 1956

DEFENSE MINERALS EXPLORATION ADMINISTRATION

REPORT OF EXAMINATION BY FIELD TEAM
REGION III

JOINT GEOLOGIC AND ENGINEERING FINAL REPORT

DMA 487X, EXPLORATION PROJECT Contract Idm-E26

Blackhawk Mine

Silver Bay Mines, Inc.

San Juan County, Colorado

Lead-Zinc

FIELD TEAM
FINAL REPORT

D. R. MacLaren, Geologist
Geological Survey

C. M. Harrer, Mining Engineer, Bureau of Mines

April 4, 1956

Reviewed by
DMEA OPERATING COMMITTEE
6-25-56
(date)

DMA 487X Exploration Contract Idm-E26

BLACKHAWK MINE
SILVER BAY MINES, INC.
SAN JUAN COUNTY, COLO.

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Location, topography and physical features 2
History and Production 3
Property rights 3
Geology 4
Work completed under the contract 6
Expenditures under the contract 7
Efficiency of Project Operations 8
Description of discovery 8
Production from discovery 9
Conclusions and recommendations 10

ILLUSTRATIONS

Figure — Follows page

1. Location map, Silver Bay Mines, Inc., Blackhawk mine, San Juan County, Colo. DMA 487X 2

2. Map of Silver Bay Mines, Inc., Blackhawk mine, San Juan County, Colo. DMA 487X 10

3. Plan showing underground workings and geology of Big Indian vein, and part of the trace of the Blackhawk vein on the surface, Blackhawk mine, Silver Bay Mines, Inc., San Juan County, Colorado 10

DMA 487X
Contract Idm-E26

BLACKHAWK MINE
SILVER BAY MINES, INC.
SAN JUAN COUNTY, COLORADO

RECEIVED
JUN 21 1956

JOINT GEOLOGIC AND ENGINEERING FINAL REPORT

By

D. R. MacLaren and C. M. Harrer

INTRODUCTION AND SUMMARY

On June 27, 1951, exploration project contract Idm-E26 was activated between Silver Bay Mines, Inc., a Colorado corporation, and the Defense Minerals Exploration Administration, to explore the Big Indian vein from the Blackhawk mine tunnel. The project included 150 feet of crosscut to the estimated position of the Big Indian vein and 600 feet of drifting along it at an over all cost of $21,500.00. On November 25, 1952, Silver Bay Mines, Inc., requested additional funds to complete exploration of the Big Indian vein. On April 13, 1953 a revised two-stage contract was activated. Stage I of the revised contract included all crosscutting to the vein (329.5 ft.) and all drifting along the Big Indian vein (86.5 ft.) completed prior to October 1952 by expenditure of the original contract funds. Stage II provided for 200 feet of additional drifting along the Big Indian vein at a unit cost of $45.50 per foot and a total cost of $9,100.00. All exploration was to be completed prior to October 31, 1953 at an over all cost of $30,600.00. Government participation of 50 percent would be $15,300.00.

The amended contract was terminated on November 30, 1953 before its completion and with 87 feet of drift remaining to complete the contract.

Total expenditures approved under the contract total $25,634.79 distributed as $20,493.29 to Stage I and $5,141.50 to Stage II. The Government retains royalty rights on the property to April 13, 1967 by a

pseudo-certification included in amendments 4 and 6 to the revised contract (8/11/54).

The Blackhawk mine is in unsurveyed T. 42 N., R. 7 W., in the Gladstone Mining District of San Juan County, Colorado, at an altitude of 11,506 feet above sea-level.

Rocks in the area are pyroxene andesite flows and breccia beds of the Silverton volcanic series, Tertiary in age. The rocks have been considerably fractured and many of the fractures contain veins of lead and zinc sulfides. The Big Indian vein has been traced on the surface for more than 1,100 feet by pits and shallow shafts. Toward the east it is covered by a zone of glacial alluvium about 2,000 feet wide. East of the alluvium is a vein of similar strike, dip, and mineral content, which may be the Big Indian vein. Cross fractures and shattered zones suggest the possibility that the Big Indian vein may be offset, locally interrupted, or may locally change strike beneath the alluvium. Underground exploration indicates that this has happened.

It is concluded that exploration was done on a segment of the Big Indian vein that had been affected by cross fractures and shattered zones and that the results neither prove nor disprove the ore potential of the vein. A discovery of about 900 tons of indicated ore, sub-marginal in grade, has been made by the exploration project.

Because the applicant was unwilling to complete his limited program, it is recommended that no additional Government funds be spent on this property at this time.

LOCATION, TOPOGRAPHY AND PHYSICAL FEATURES

The Blackhawk mine of Silver Bay Mines, Inc., is in unsurveyed T. 42 N., R. 7 W., in the Gladstone Mining District of San Juan County, Colo. (fig. 1). The mine is in the Middle Fork area of Cement Creek, about 2 miles

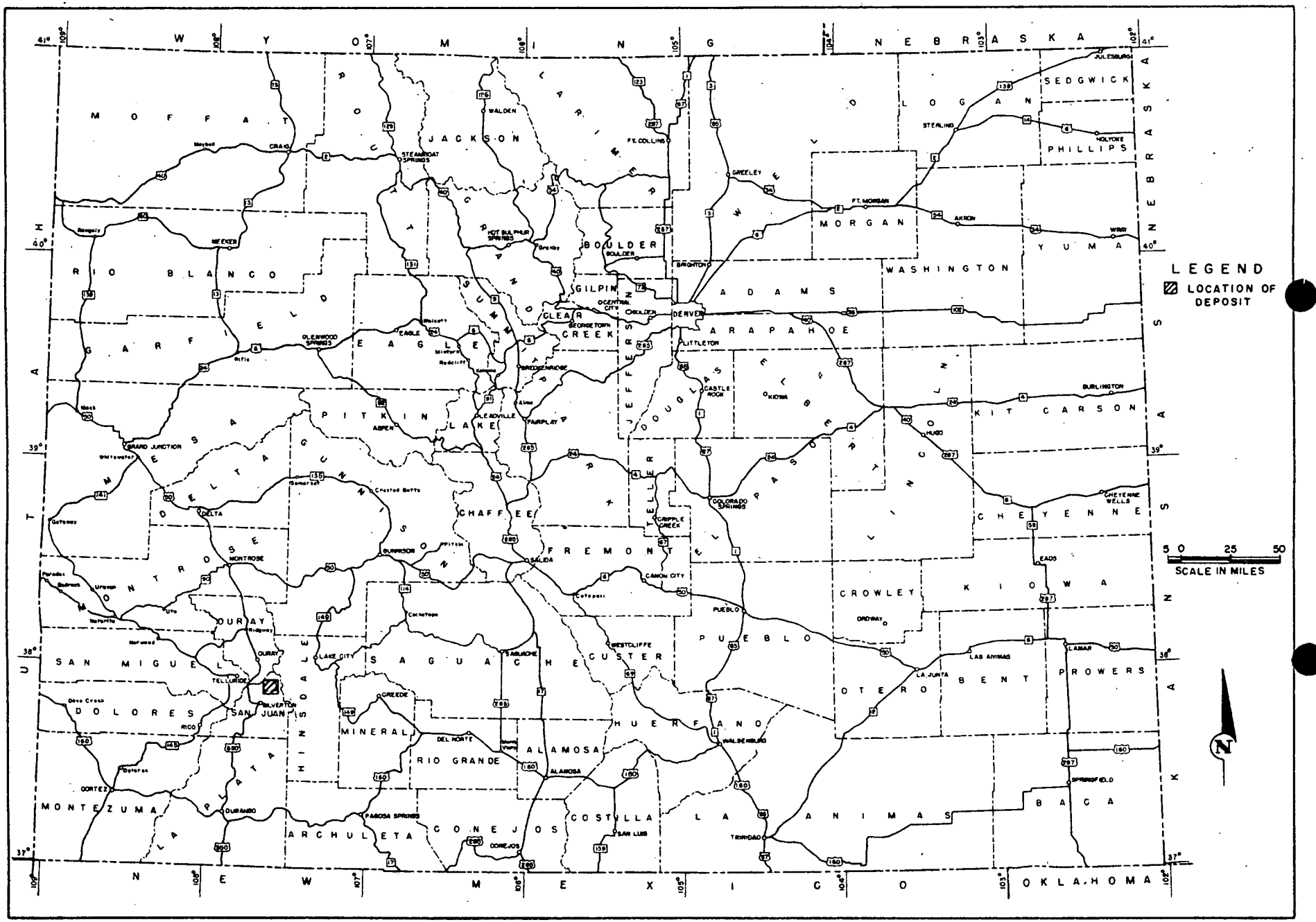


FIGURE 1 - LOCATION MAP, SILVER BAY MINES, INC., BLACKHAWK MINE, SAN JUAN COUNTY, COLO. DMA 487X

southeast of Gladstone and may be reached by a steep, switch-back access road. Gladstone is 10 miles north of Silverton, the county seat and nearest source of supplies and labor. The main Blackhawk adit-level portal is at an altitude of 11,506 feet and the ridge line above the mine is above 12,500 feet. The terrain is steep and rugged and the property is near timberline. Winters are long and very severe with heavy snow fall. Water is available from intermittent mountain creeks and a heavy flow from the mine. Well maintained county highway 353 links Gladstone with Silverton. Above Gladstone, roads are maintained with difficulty due to talus slides on the very steep slopes.

HISTORY AND PRODUCTION

Exploration at the Blackhawk mine started prior to 1900. Silver Bay Mines, Inc., started work on the property about 1950. On the June 27, 1951 this company secured a Defense Minerals Exploration Administration contract to explore the Big Indian vein with a program of cross-cutting and drifting at an over all cost of $30,600.00. There has been no recorded past or present production of ore from the property.

PROPERTY RIGHTS

Under the original and revised contracts I-DMA E26, Silver Bay Mines, Inc., have subordinated the patented Big Indian lode claim (survey no. 14,325) in the Gladstone Mining District of San Juan County, Colo.

The Government retains royalty rights to all ores produced from the subject property until its participating share of the cost of exploration is paid in full or not later than April 13, 1967. This is stipulated in amendments 4 and 6 to the revised contract.

GEOLOGY

The rocks in the area are pyroxene andesite flows and breccias comprising the youngest member of the Silverton volcanic series of Tertiary age. The andesite flows and breccia beds have a total thickness of more than 3,000 feet. The rocks have been fractured, and many of the fractures are mineralized.

On the property of the Silver Bay Mines, Inc., are two veins, the Blackhawk vein and the Big Indian vein. The Blackhawk vein can be traced on the surface for about 1,500 feet east from near the portal of the Blackhawk crosscut, then the vein is covered by talus. The vein strikes about N. 72° E. and dips 40° to 80° northwest (fig. 3). According to W. S. Burbank in a memorandum to the Production Expansion Division, DMA, dated May 17, 1951, the Big Indian vein is exposed (at surface) in scattered shallow cuts for a distance of 1,100 feet northwesterly from above the starting point of the contract in the Blackhawk crosscut. Above that point and for a distance of about 2,000 feet to the east the vein is covered by glacial overburden. East of the glacial overburden a vein which could be the Big Indian appears. Thus it is possible that the Big Indian vein has a strike length of more than 3,000 feet. East of the glacial overburden there are several cross veins and it is possible that beneath the overburden the Big Indian vein may be locally displaced or interrupted. Where seen on the surface the Big Inidan vein strikes southeasterly and dips about 60° NE.

The crosscut was extended about 155 feet northeasterly without encountering the vein which, on projection, should have been cut within that interval. The crosscut was then turned and driven an additional 168 feet in a northerly direction (fig. 3), until it cut a heavily breciated zone 12 feet wide. The zone contains abundant pyrite and small amounts of sphalerite and galena in stringers and as replacements of crushed andesite. The

vein walls are clay seams up to 2 inches wide. This segment of the vein, which narrows to about 1 foot towards the north, strikes N. 40° E. and dips 55° to 60° NW. The vein was followed by a drift for about 120 feet northeasterly. Here two small fractures that come in from the west wall of the drift cut off the vein-filled structure. The first fracture strikes N. 56° E. and dips 58° NW, and the second strikes due east and dips 60° N. as it enters the drift, then within a few feet the strike swings to S. 72° E. while the dip remains at about 60° N. The vein makes a sharp swing, following each of the shears in turn. The vein continues on the S. 72° E. strike for about 60 feet, then it swings gradually to the north in the next 30 feet, having a final strike of N. 80° E. and a dip of 40° NW where it leaves the drift in the north wall. Here it is cut off by a fault which strikes N. 47° E. and dips steeply northwest. The drift was continued about 60 feet easterly beyond the point where the vein entered the north wall. The S. 72° E. segment of the vein has an average width of 2.9 feet, and an average grade of 0.023 ounce gold and 2.3 ounces silver per ton, 3.1 percent lead, 4.5 percent zinc, and 0.2 percent copper, on the basis of samples taken and assayed by the U. S. Bureau of Mines.

Exposed in the crosscut between the portal and the vein encountered as a result of the DMEA project are two badly shattered zones.

The Big Indian vein, where exposed on the surface northwest of the crosscut appears to be a strong structure, and on the basis of projection along its apparent strike and dip should have been cut by the crosscut within 150 feet from the point where the contract began. That it was not is most reasonably explained by the assumption that shattering and cross fracturing exerted a depositional control that resulted in changes in strike similar to those observed in the drift where the vein follows a northerly striking structure, then turns and follows other structures striking northeasterly,

easterly, and finally southeasterly.

WORK COMPLETED UNDER THE CONTRACT

The original contract I-DMA-E26 was signed on June 27, 1951 and exploration work was started during July. Exploration progressed through October, 1952. Amendment No. 2, dated June 18, 1952 extended the completion time of the contract one year to December 27, 1952. On November 25, 1952, Silver Bay requested that their contract be amended and that funds be increased. On April 13, 1953 a revised contract was signed and activated, incorporating all previous work as Stage I, and all additional exploration as Stage II.

The original contract, dated June 27, 1951, was amended twice. Amendment No. 1 (Aug. 24, 1951) increased supervision costs from $750.00 to $1250.00. Amendment No. 2 (June 18, 1952) extends the time of completion from 6 to 18 months.

The revised contract, dated April 13, 1953, was amended 6 times. Amendment No. 1 (Nov. 6, 1953) extended the time of completion to November 30, 1953. Amendment No. 2 (Feb. 5, 1954) recessed the project from November 30, 1953 to May 1, 1954. Amendment No. 3 (May 5, 1954) extended the time of completion of the contract to not later than July 1, 1954. Amendment No. 4 (Aug. 11, 1954) cancelled amendments 2 and 3 and recessed the contract to not later than September 1, 1954. It also protected the Government's rights to royalties. Amendment No. 5 (Oct. 28, 1954) extended the recess to not later than Aug. 1, 1955, and the time of completion of the contract to not later than Oct. 13, 1955. Amendment No. 6 (Sept. 16, 1955) extended the recess to not later than Nov. 1, 1955; the time of completion of the contract to not later than Oct. 13, 1956; and the Government's interest in royalties from the property to April 13, 1967.

Because exploration under the terms of the contract was not resumed before the end of the recess period finally set in amendment No. 6 as prior

to November 1, 1955, the contract was terminated on November 30, 1955, with 87 feet of drift remaining to be completed.

The following work was accomplished under the terms of the contracts:

Units of Work	Footage Completed	Footage allowed under contracts	Work Interval	Remarks
1. Crosscut from the present heading of the Blackhawk tunnel to intersect the Big Indian vein	329.5	Stage I 329.5	July 1951 thru Oct. 1952	Only 150 ft. allowed under original contract. Total footage allowed under Stage I of the revised contract.
2. Drift along the Big Indian vein	86.5	Stage I 86.5	Nov. 1952 thru Dec. 1952	600 ft. of drifting was allowed under the original contract. Under Stage I of the revised contract 86.5 feet are allowed.
3. Continue drifting along the Big Indian vein	113.0	Stage II 200.0		Under Stage II of the revised contract, 200 ft. are allowed.

Silver Bay Mines, Inc., completed 82 feet of drift on their (?) vein (fig. 2) during September 1955. Since this was not in the contract, it was accomplished at their own expense.

EXPENDITURES UNDER THE CONTRACT

The $21,500.00 maximum appropriated under the original contract was used to drive 329.5 feet of crosscut to the Big Indian vein. The contract was then revised and all work under the original contract was included as Stage I. An interim audit dated October 30, 1953, fixed total expenditures under the original contract and its incorporation as Stage I of the revised contract at $20,493.29. This leaves an unexpended balance of $1,006.71 in Stage I of the revised contract.

Stage II of the revised contract included $9,100.00 for 200 feet of drift along the Big Indian vein. All but 87 feet of the Stage II drifting total has been completed. Funds remaining in Stage II of the contract are $3,958.50.

Total expenditures approved under the contract are $25,634.79. No disposition has yet been made of pipe, track, vent tubing and operating equipment totalling $1,940.63 which is the joint property of Silver Bay Mines, Inc. and the Defense Minerals Exploration Administration.

To date the Government's participating share in exploration costs at 50 percent is $12,817.40. This amount will be reduced by an amount equal to one half of the salvage value of jointly owned supplies and equipment, and is subject to a final audit.

EFFICIENCY OF PROJECT OPERATIONS

The operator experienced considerable trouble due to poor supervision of sub-contractors and was also delayed by heavy ground and early winters. Work under the contract was not prosecuted with diligence and was put off repeatedly.

DESCRIPTION OF DISCOVERY

A discovery was recommended by W. L. Dare 1/ and a pseudo-certification protecting the Government's royalty interests to April 13, 1967 is included as part of Amendment No. 4 of the revised contract.

On extending the Blackhawk adit 329.5 feet northeasterly and northerly (fig. 2) the Big Indian (?) vein was cut. The Big Indian (?) vein was then followed for about 210 feet. Within this distance, a 60-foot section of the vein with an average width of 2.93 feet assayed 3.1 percent lead,

1/ Mining Engineer, U. S. Bureau of Mines, DMEA, Denver, Colorado

4.5 percent zinc and 0.2 percent copper, with 0.023 ounce gold and 2.3 ounces silver per ton. "Indicated" reserves, on this basis, were estimated at 900 tons to a depth of 60 feet (W. L. Dare).

Twenty-two samples taken by W. L. Dare during November 1953 are tabulated below. Their location is shown on figure 2.

SAMPLE DATA

Sample No.	Width-feet	Percent			Ounces/ton		Remarks
		Lead	Zinc	Copper	Gold	Silver	
W. L. D.-							
19	2.0	1.0	1.55	0.20	0.005	1.0	
20	1.9	0.6	1.4	0.15	0.01	0.7	
21	4.0	0.25	0.3	<0.05	0.005	0.7	
22	3.8	2.2	6.0	0.47	0.005	1.6	
23	2.4	4.85	4.5	0.29	0.05	5.8	
24	1.1	<0.1	0.1	<0.05	0.005	0.4	
25	0.8	0.1	0.1	<0.05	0.02	0.5	
26	2.4	0.1	0.1	<0.05	0.005	0.2	
27	4.0	0.6	2.4	<0.05	0.005	0.7	
28	4.2	0.6	0.7	0.10	0.005	0.9	
29	3.4	0.7	0.8	0.10	0.005	0.8	
30	2.6	1.25	1.9	0.26	0.005	1.2	
31	2.0	2.6	3.5	0.36	0.005	2.1	Used in "indicated"
32	2.2	3.6	5.5	0.49	0.03	3.5	ore reserve calcul-
33	3.5	4.5	5.2	0.36	0.03	2.6	ation.
34	3.4	4.2	8.8	<0.05	0.03	2.6	"
35	3.4	0.7	1.25	<0.05	0.01	1.2	"
36	3.2	2.95	2.85	<0.05	0.03	2.3	"
37	2.8	<0.1	<0.05	<0.05	0.005	0.2	
38	2.2	<0.1	<0.05	<0.05	0.05	0.2	
39	3.6	0.1	0.35	<0.05	0.01	0.2	
40	2.8	0.4	0.55	<0.05	0.01	0.4	

< = less than

PRODUCTION FROM DISCOVERY

There has been no production from the discovery to date.

CONCLUSIONS AND RECOMMENDATIONS

It is concluded that exploration was done in what may be an unpredictably broken-up segment of the Big Indian vein, and that the only discovery amounts to 900 tons of indicated ore, sub-marginal in grade. It is also concluded that the small amount of exploration on the vein, which has been traced on the surface for some 1,100 feet northwest of the segment explored, has neither proven nor disproven the ore potential of the Big Indian vein. As W. S. Burbank pointed out at the time the original application was being considered, from 1,000 to 2,000 feet of drifting on the Big Indian vein would be necessary to establish or disprove its worth as a major source of lead and zinc.

The 87 feet of drifting remaining under the contract might not have changed the results of the program materially, but because the operator was unwilling to complete his limited program, it is recommended that no additional Government funds be spent on this property at this time.

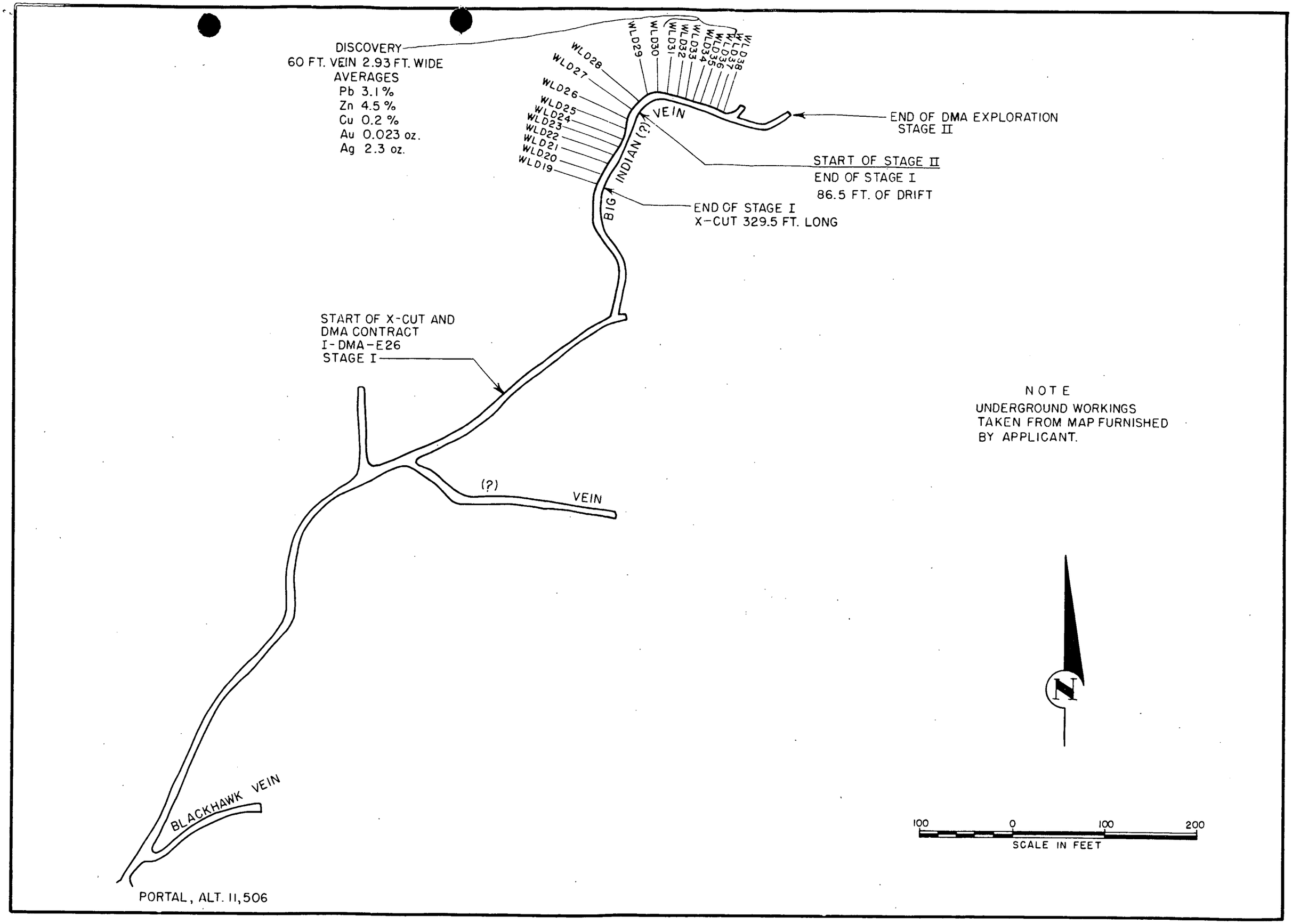


FIGURE 2 - MAP OF SILVER BAY MINES, INC., BLACKHAWK MINE, SAN JUAN COUNTY, COLO. DMA 487X

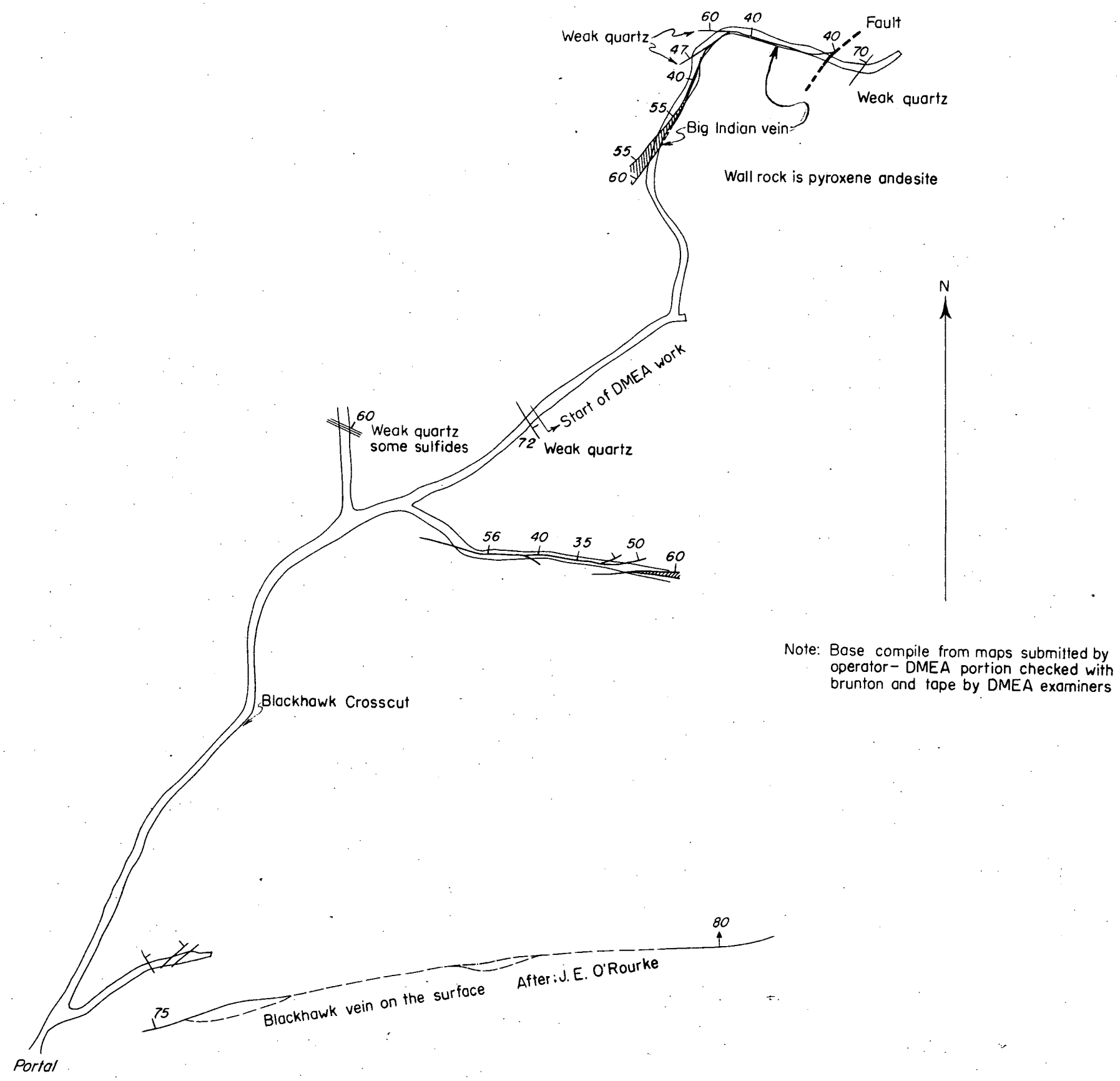


FIGURE 3–. PLAN SHOWING UNDERGROUND WORKINGS AND GEOLOGY OF THE BIG INDIAN VEIN, AND PART OF THE TRACE OF THE BLACKHAWK VEIN ON THE SURFACE, BLACKHAWK MINE, SILVER BAY MINES INC. SAN JUAN COUNTY, COLORADO.

100 50 0 100 Feet

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

RECEIVED
JUN 21 1956

224 New Customhouse
Denver 2, Colorado

June 18, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: DMEA Field Team, Region III

Subject: Docket DMEA 487X (Lead-Zinc), Contract I-DMA-E26, Silver Bay Mines, Incorporated, San Juan County, Colorado - FIELD TEAM FINAL REPORT.

Enclosed are the following final reports pertaining to work completed under the subject contract:

1. Original and one copy of the Operator's final report.

2. Original and three copies of a joint engineering and geologic report, dated April 4, 1956, by D. R. MacLaren, Geologist, Geological Survey, and C. M. Harrer, Mining Engineer, Bureau of Mines.

The contract was terminated under the provisions of Amendment No. 4 as amended by Amendments Nos. 5 and 6 for nonresumption of work by the Operator after a period of suspension of operations.

Final payment to the Operator was processed by this office June 18, 1956, in conformance with the report of review of contract expenditures by the Contract Administration and Audit Division, dated June 7, 1956, which was released to this office June 14, 1956.

The exploration work completed consisted of 529 feet of crosscutting and drifting at a total accepted cost of $25,062.00, in which the Government participated to the extent of 50%, or an amount of $12,531.00.

The Government's right to a percentage royalty on all production, in conformance with the terms of the contract, is protected by the provisions of a psuedo certification incorporated into Amendment No. 4 to the contract.

W. M. Traver

E. N. Harshman

Enclosures

June 14, 1956

W. M. Traver
Executive Officer, DMEA
Field Team, Region Three
New Customhouse
Denver 2, Colorado

RECEIVED
JUN 21 1956

Re: Docket DMEA 487 (Lead & Zinc)
Contract I-DMA-E26
Silver Bay Mines, Inc.

Dear Mr. Traver:

The following is the "Final operational report" of work performed under the above captioned contract along with two maps enclosed herewith marked exhibit "A" and "B".

The Government participated in 329.5' of crosscutting and 86.5' of drifting under stage One of the project as indicated on the attached map marked exhibit "A" trying to locate commercial ore on a vein structure assumed to be the Big Indian Vein. From this point we continued the drift 76' at Company expense, making a total of 162' of drifting. At this point we made application for 200' of drifting under stage two of the contract.

In 1953 we advanced another 113' along the route of the proposed drift and 6' in 1954 making a total of 118' under stage two of the contract. At this point we decided to abandon this part of the drift and started a drift along a spur or split off of the main vein from a point near the portal of the tunnel for a distance of 71', which we assumed to be the projection of the Blackhawk Vein from surface indications. This split continued to be quite impoverished and the present heading in this direction reveals a narrow stringer only 1" in width which contains some values in lead and zinc only.

In 1955 drifting was commenced on another split at an intermediate point along the main tunnel. This was continued for a distance

OPERATOR'S FINAL REPORT

of 158' but the structure was not very strong and the vein was quite narrow and impoverished. At approximatley 130' another vein was encountered entering this drift from the right rib at approximately 20°. This vein was only about 6" in width but carried good values in lead and zinc. From this point to the present heading in the drift the structure is apparently faulted or the vein has been lost.

At this time we had a geological survey made by Technical Services, Inc of Grand Junction, Colorado marked exhibit "B" attached hereto. They have recommended that we core drill three holes from the end of this drift driven on the cross structure, as plotted on this map, projected toward a vein, at tunnel level, which outcrops on the surface, as shown on the map, to see if the vein extends down to this level. This work should commence in a few days.

Seven samples were taken at various parts of the tunnel and assayed. The locations are plotted on the map, (exhibit B) as samples #1, 2, 3, 4, 5, 6, & 7. The results of these assays are as follows:

Number	Gold Ounces Per Ton	Silver Ounces Per Ton	Copper Per Cent (Wet)	Lead Per Cent (Wet)
1	Trace	Trace	0.06	0.07
2	"	0.10	0.07	0.06
3	0.03	2.89	0.33	6.11
4	Trace	0.54	Trace	Trace
5	0.01	1.48	0.17	7.22
6	0.01	1.11	0.44	1.51
7	0.03	1.27	0.87	0.33

No Commercial ore has been developed or blocked out from our exploratory work up to Jan. 5, 1956, the date of notice of termination of the contract, however, under the provisions of amendments No. 4, 5 & 6 to the contract if any ore is mined or produced from this property, within 14 years from the date of the contract, a Royalty, as set forth in the contract, will be paid until the total amount

contributed by the Government, without interest, is fully repaid, or 14 years have elapsed, whichever occurs first.

Respectfully, submitted,

Silver Bay Mines, Inc.

Alfred O. Brehmer

Alfred O. Brehmer, Agent

LARGE FORMAT DOCUMENTS AT END OF FILE

Talbert

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

Mr. Donald T. Finch
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

JUN 12 1956

Re: Report of Review
Silver Bay Mines, Inc.
Idm-E26, DMEA-487

Dear Mr. Finch:

Receipt is acknowledged of the Washington copies of your Report of Review covering the referenced project.

While the factual portion of this Report of Review and your certification of the findings are acceptable, the presentation of references in the introductory paragraph and the format of the justification (third paragraph) do not appear to be up to this Division's usual standards. Accordingly, I have rewritten the report and am enclosing the original and seven copies thereof. If you concur with the statements in this revised report, please sign all copies and effect the normal distribution (after attachment to the regional copies of the Schedule of Exceptions, which is acceptable), including the return of three copies to this Division.

In the future preparation of Reports of Review it is suggested that the typist be instructed as to proper format, which is shown on page 68 of the manual of Audit Procedure. As a possible help in this matter there are enclosed several copies of the typist's guide used by this Division.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosures

FDTalbert/wb
June 12, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

RCB

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

224 New Customhouse
Denver 2, Colorado

June 1, 1956

Mr. Alfred O. Brehmer, Agent
Silver Bay Mines, Inc.
670 Pearl Street
Denver, Colorado

Re: Docket DMEA 487 (Lead-Zinc)
Contract I-DMA-R26
Silver Bay Mines, Inc.
San Juan County, Colorado

Dear Mr. Brehmer:

Enclosed is the "Final Operational Report" pertaining to the Black Hawk mine, prepared by Lester Steward, which was forwarded by your letter of May 29, 1956. The report is returned because it is not considered to be adequate as the final report, which is to be rendered by Silver Bay Mines, Inc. in compliance with the provisions of Article 7 (b) of Contract I-DMA-R26.

Inasmuch as it will be necessary that the report be revised, the report heading should be free of any other company's name except Silver Bay Mines, Inc., and reference should be made to the Docket and Contract numbers.

In addition, to be adequate the report must be in quintuplicate and consist of a complete summary in narrative form of the work performed under the Contract and contain an analysis of the results of the work. Each copy of the report must be complete with a map showing the work performed and the location of any samples taken and the results thereof.

A review of the various monthly reports submitted should provide the information to enable someone in the organization to prepare an adequate final report. If such records are not presently available in your office, we suggest that you obtain the information from the files in this office or in Mr. Shaw's office at Denver Federal Center.

Very truly yours,

W. M. TRAVER

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

Enclosure
cc: Mr. C. V. Liljenquist

JWT:prl
cc: Chairman, Oper. Comm. (2) } w/copy of report and Brehmer's letter of May 29
Harshman
Shaw
Townsend
Corres. file
Chron.

WO

RECEIVED
JUL - 4 1956

May 29, 1956

Mr. W. M. Traver
Executive Officer, DMEA
Field Team, Region III
New Customhouse
Denver 2, Colorado

Re: Docket DMEA 427
Contract I-DMA-326
Silver Bay Mines, Inc.

Dear Mr. Traver:

We enclose herewith a Final Operating Report on the Blackhawk Mine prepared and written by Lester Steward of Silverton, Colorado.

Mr. Steward only made the one copy so would it be possible for your office to take photo-stat copies of this letter for your use. We would appreciate if you would make an extra copy, and mail to us for our files.

Very truly yours,

Silver Bay Mines, Inc.

Alfred O. Brehmer

Alfred O. Brehmer, Agent

J. CAMERON GRANT, President
LESTER STEWARD, General Manager
ALFRED BREHMER, Sect.-Treas.
Denver Address:
470 Pearl St.

DMEA
Date Rec'd.
MAY 31 1956
BUREAU OF MINES
Denver, Colorado

PRIDE MILL, INC.
SILVERTON, COLO.

ARGYLE MINING & MILLING CORP.

Final Operational Report

BLACKHAWK MINE

Total drifting for the 1954 and 1955 seasons amounted to 229' of which 71', completed during 1954, was driven along a spur or split off of the main vein from a point near the portal of the tunnel. This split continued to be quite impoverished and the present heading in this direction reveals a very narrow stringer only about 1" in width which contains some values in lead and zinc only.

During the 1955 season drifting was commenced on another split at an intermediate point along the main tunnel. This was continued for a distance of 158' but the structure was not very strong and the vein was quite narrow and also impoverished. At approximately 130' another vein was encountered entering the drift from the right rib at approximately 20°. This vein was only about 6" in width but carried good values in lead and Zinc. From this point to the present heading in this drift the structure is apparently faulted, or, the vein has been lost.

Samples were taken quite frequently as drifting progressed but no record of sample location was kept, with the exception of one and that at the point of intersection with the other small vein. All other samples were so completely discouraging that the information was considered valueless.

The management is not in possession of information relative to work completed prior to 1954 and is not qualified to state the nature of this work, what was encountered, sampling data or the number of feet advanced.

Respectfully submitted,

Lester Steward

Lester Steward, Gen. Mgr.

Argyle Mining & Milling Corp.

P. S.

At this depth, it is almost impossible to determine if this drifting has been done on the Big Indian Vein or on splits off of this vein.

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

RECEIVED
MAR 26 1956

224 New Customhouse
Denver 2, Colorado

March 21, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 487 (Lead-Zinc), I-DMA-E26, Silver Bay Mines, Inc., San Juan County, Colorado

Enclosed are four copies of the Operator's letter of March 16, 1956, in reply to our letter of March 5, 1956, copies of which were forwarded to you.

W. M. Traver

W. M. Traver

Enclosures

DMEA
Date Rec'd.
MAR 19 1956
BUREAU OF MINES
Denver, Colorado

March 16, 1956

W. M. Traver
Executive Officer, DMEA
Field Team, Region IV
New Custom House
Denver, Colorado

Re: Docket DMEA 487
Contract I-DMA-E26
Silver Bay Mines, Inc.

Dear Mr. Traver:

We wish to advise, in answer to your letter of March 5, 1956, that we are soliciting bids on the jointly owned property acquired under the above captioned contract. I have forwarded copies of your letter of January 5th, 1956 to Ray Lilenquist of Salt Lake City, Utah and also to Mr. W. E. Lilenquist, 506 Empire Bldg., Des Moines, Iowa in order that they can make a bid on their own property if they wish to purchase same. As soon as we are able to obtain three bids we will forward them to your office.

We also have asked Lester Steward, our Mine Superintendent, to prepare a final engineering and geologic report of the work completed under this contract.

Very truly yours,
Silver Bay Mines, Inc.
Alfred O. Brehmer, Agent
Alfred O. Brehmer, Agent

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

RECEIVED
MAR - 8 1956

224 New Customhouse
Denver 2, Colorado

March 5, 1956

Mr. Alfred O. Brehmer, Agent
Silver Bay Mines, Inc.
670 Pearl Street
Denver, Colorado

Re: Docket DMEA 487 (Lead-Zinc)
Contract I-DMA-E26
Silver Bay Mines, Inc.
San Juan County, Colorado

Dear Mr. Brehmer:

We will appreciate advice by return mail as to the progress being made in the disposal of the jointly owned property acquired under Contract I-DMA-E26, as outlined to you in our letter of January 5, 1956.

Your prompt attention should also be given the matter of rendering a final engineering and geologic report in conformance with Article 7(b) of the Contract.

Very truly yours,

W. M. TRAVER

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

cc: Mr. Ray Lilenquist, President
Silver Bay Mines, Inc.
1370 South Second West Street
Salt Lake City, Utah

JWT:prl
cc: Chairman, Oper. Comm. (2)
Harshman
Shaw
Townsend
Corres. file
Chron.

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

RECEIVED
FEB 1 6 1956

224 New Customhouse
Denver 2, Colorado

February 13, 1956

Mr. Alfred O. Brehmer, Agent
Silver Bay Mines, Inc.
670 Pearl Street
Denver, Colorado

Re: Docket DMEA 487 (Lead-Zinc)
Contract Idm-E26
Silver Bay Mines, Inc.
San Juan County, Colorado

Dear Mr. Brehmer:

Reference is made to your letter of January 14, 1956, wherein you request reinstatement of Contract Idm-E26, which was automatically terminated by the provisions of Amendment No. 4.

Due to your failure to resume work by the stipulated date, the termination is in effect and cannot be rescinded.

If prompt attention is given the winding up provisions of the Contract as outlined to you in our letter of January 5, 1956, the Government would of course give consideration to an application by your Company at a later date for an additional work program when your plans relative to such have been completed as to all requirements.

Very truly yours,

W. M. Traver

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

JWT:prl
cc: Chairman, Oper. Comm. (2)
Harshman
Shaw
Townsend
Corres. file
Chron.

File Copy
Surname
Griswold
Selfridge
Dillard
"Appd. Sol. Off."
F. Johnson
Mattendorf
Talbut

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

FEB - 1 1958

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg.
Denver 2, Colorado

Re: Docket No. DMEA-487 (Lead-Zinc)
Silver Bay Mines, Inc.
Big Indian Claim
San Juan County, Colorado
Amended Contract No. Idm-E26

Dear Mr. Traver:

We have your letter of January 16, with enclosure, regarding a requested reinstatement of the cited contract.

We are quite in accord with the recommendations expressed in your letter. We suggest that you advise this Company that the termination is in effect and cannot be rescinded.

In the event that this Operator properly complies with the winding-up provisions of the contract, and then submits an application for an additional work program, we would of course have to give it consideration.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (SHB)

APPROVED:

/s/ Robert W. Geehan (SHB)
Member, Bureau of Mines

Thor H. Kiilsgaard (SHB)
Member, Geological Survey

WRGriswold/er 1/25/56
Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

R.G.

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

RECEIVED
JAN 19 1956

224 New Customhouse
Denver 2, Colorado

January 16, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 487 (Lead-Zinc), Contract I-DMA-E26, Silver Bay Mines, Inc., San Juan County, Colorado

Enclosed are the original and three copies of the Operator's letter of January 14, 1956, wherein he acknowledges receipt of our notice of termination of the subject contract and requests, for reasons stated, that the contract be reinstated for another year.

Had the Operator complied with the provisions of Amendment No. 4, as amended by Amendment No. 6, this office would have, as a last resort, been willing to consider the drilling proposal to be submitted by him. However, as the Operator did not comply with the terms of the contract as amended, we are not in favor of reinstating the contract for the following additional reasons:

1. It is extremely doubtful that drilling to explore the target indicated by the Operator would result in material benefit to the DMEA program.

2. The Government's interest in the matter of its contribution to the costs of the project to date are protected by the psuedo certification incorporated in Amendment No. 4.

Reinstatement of the contract appears to be a matter of policy and in addition would necessitate an amendment, the nature of which is not within the authority delegated to this office to prepare. Therefore the matter is forwarded for your consideration and appropriate action or advice to us as to how we should proceed.

W. M. Traver

W. M. Traver

Enclosures

WO.

RECEIVED
JAN 19 1956

January 14, 1956

DMEA
Date Rec'd.

JAN 16 1956

BUREAU OF MINES
Denver, Colorado

Wm. M. Traver
Executive Officer, DMEA
Field Team, Region III
New Customhouse
Denver, Colorado

RE: Docket DMEA487 (L & Z)
Contract 1-DMA-E26

Dear Mr. Traver:

I am in receipt of your notice of termination of the above captioned Contract, dated Jan. 5, 1956, for failure to resume work by November 1, 1955.

I am at fault for not replying to your letter of a prior date as I had misplaced it and consequently failed to keep you informed of our intentions.

It is our intentions to start a drilling program as soon as weather permits in the spring. We finally succeeded in getting one Company to bid on the job and have promise of several more.

We would appreciate very much if you would reinstate the Contract for one more year and set up the date to resume operations to, on or before, June 15, 1956. As soon as we have word from you regarding this extension we will submit an outline of our proposed drilling program along with three bids on the work to be performed.

Very truly yours,
Silver Bay Mines, Inc.
Alfred O. Brehmer, A.
Alfred O. Brehmer, Agent

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

CERTIFIED MAIL

224 New Customhouse
Denver 2, Colorado

January 5, 1956

Mr. Alfred O. Brehmer, Agent
Silver Bay Mines, Inc.
670 Pearl Street
Denver, Colorado

Re: Docket DMEA 487 (Lead-Zinc),
Contract I-DMA-E26,
Silver Bay Mines, Inc.,
San Juan County, Colorado

Dear Mr. Brehmer:

Inasmuch as work was not resumed by November 1, 1955, the date fixed by Amendment No. 4, as amended by Amendment No. 6, for the end of the suspension of operations, you are hereby notified of the termination of the contract effective November 30, 1953, as provided by item 5(a) of Amendment No. 4, which was executed the 11th day of August, 1954.

In conjunction with the termination of the Contract, your attention is directed to the provisions of item 5(b), (c), (d), and (e) of Amendment No. 4 relative to the settlement of the Government's interest in property acquired under the contract and other procedures which are prerequisite to the closing of the account.

Very truly yours,

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

JWT:prl
cc: Chairman, Oper. Comm. (2)
Harshman
Shaw
Townsend
Corres. file
Chron.

RECEIVED
JAN 9 1956

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

CERTIFIED MAIL

224 New Customhouse
Denver 2, Colorado

January 5, 1956

Mr. Alfred O. Brehmer, Agent
Silver Bay Mines, Inc.
670 Pearl Street
Denver, Colorado

Re: Docket No. DMEA 487
Commodity Lead-Zinc
Contract No. I-DMA-E26

Dear Mr. Brehmer:

By the terms of the exploration project contract under which you are operating, the Government acquires an interest in property purchased for use on the project which is "... paid for or purchased with funds contributed jointly by the operator and the Government..." Such property includes any individual items of equipment and facilities, buildings, or other fixtures costing more than $50.00 each. It also includes materials and supplies considered in groups or categories (such as pipe, explosives, rails, drill steel), if the original cost of the remaining unexpended portion of any such category of materials or supplies exceeded $50.00. As to any facility, building, fixture, or piece of equipment, and as to any such group or category of materials or supplies the original cost of which or the unexpended portion of which did not exceed $50.00, the Government does not assert any claim or interest under the terms of the contract.

The effect of the contract provisions is to make you the agent of the Government for the disposition of its interest in such property. Therefore it is your responsibility to make the best possible disposition of the property for the benefit of the Government. Every reasonable effort must be made to realize its full value. Such reasonable efforts might include: (1) Advertising in newspapers, periodicals, and posting notices in public places; (2) canvassing users of and dealers in such property; and (3) negotiating with the original vendor for the repurchase of the property.

JAN 9 1956

Should you wish to retain the property or, in effect sell it to yourself, you may do this only after first having made every reasonable effort to procure a price higher than you yourself are

willing to pay; or you may buy the Government's equity by paying for it either on the basis of the original cost or at a price higher than the highest bid obtainable from two independent bidders. In bidding on the property for yourself you should give consideration to the fact that the property in place is worth considerably more to you than if dismantled and disposed of elsewhere.

The undersigned is authorized to approve of and to join in the sale of such property for the joint account of the operator and the Government. You are requested to advise this office in advance of the proposed disposition of any such property so that we may advise you if the Government will approve thereof and join in the transaction. Please supply this office with the original and five copies of your liquidation proposal and all documents and other material relative to the property disposition.

The Government has withheld from your MF-104 Reports for the months of September and November, 1953, such sums as it has deemed necessary to cover its equity in property, until you have rendered your final account and final report, and the final auditing and settlement of the contract has been made.

Records in this office indicate that the following jointly owned property is subject to settlement of the Government's interest:

Item	Cost to the Project
Pipe	$ 114.79
Track	184.71
Operating Equipment	724.00
Vent Tubing	917.13
Total	$ 1,940.63

In addition it will be necessary for you to provide an ending inventory of any other supplies or material, the unexpended portion of which cost originally in excess of $50.00, or provide a statement to the effect that no other such material and supplies other than those listed above existed as of November 30, 1953.

Very truly yours,

W. M. Traver

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

JWT:prl
cc: Chairman, Oper. Comm. (2)
DMEA Auditor
Shaw
Harshman
Townsend
Corres. file
Chron.

File Copy
Surname
Grimwold
Geehan
Kiilsgaard
Selfridge
Johnson
Mottendorf

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

JAN 4 1956

WHGrimwold/bjl, Rm. 4444, Ext. 3669

Base Metals Div., DMEA

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

14X4401(01) Revolving Fund, Defense Production Act, Interior (allocated Working Fund to Office of Secy.)

T E L E T Y P E

Date:

To: W. M. Traver, Executive Officer, DMEA Field Team, Region III, Denver, Colorado

Reurtt January 3, 1956, Docket DMEA-487, Silver Bay Mines, Inc., Contract Idm-E26. November 30, 1953 is correct date for terminating contract. In such instances when work is not resumed as provided for in an amendment, the beginning of recess period is effective date of termination.

George C. Selfridge
Chairman, Operating Committee (GS)

(written 1/4/56)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kiilsgaard
Chron.

Chairman Opr. Comm., D.M.E.A.

DNI235 EU MINES 1-3-56 2-09

CHAIRMA N, OPERATING COMMITTEE, DMEA

REURTT 12-30-55, DOCKET DMEA 487, CONTRACT IDM E26, SILVER BAY MINES, INC., YOUR TELETYPE STATES DATE OF NOV. 30, -953, FOR EFFECTIVE DATE OF TERMINATING CONTRACT. AMENDMENT NO. 6 INDICATES DATE SHOULD BE NOVEMBER 1, 1955. PLEASE TELETYPE ADVICE.

W M TRAVER

RECEIVED
JAN 4 1956

Dean, Crb.

JAN 3 4 19 PM '56
BUREAU OF MINES
MAIL ROOM
WASHINGTON D. C.

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

File Copy
Surname
Griswold
Selfridge

DEC 30 1955

TELETYPE

WRGriswold/bjl, Rm. 4444, Ext. 3669

Base Metals Div., DMEA

14X4401(01) Revolving Fund, Defense Production Act, Interior (allocated Working Fund to Office of Secy.)

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Date:

To: W. M. Traver, Executive Officer, DMEA Field Team, Region III, Denver, Colorado

Reurtt December 28, Docket DMEA-487, Silver Bay Mines, Inc., Contract Idm-E26. You should advise Operator that in accord with terms of Amendments Nos. 4 and 6 the contract was terminated effective November 30, 1953. You should also point out to Operator his obligations regarding winding-up and settlement actions, disposal of equipment and supplies, final report, etc.

George C. Selfridge

Chairman, Operating Committee (2487)

Written 12/29/55

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Bishop
Mr. Kiilsgaard
Chron.

Chairman, Opr. Comm., D.M.E.A.

RECEIVED
DEC 29 1955

BUR MINES DN 235 12-28-55 1-31 PM

CHAIRMAN, OPERATING COMMITTEE, DMEA

SUBJECT -- DOCKET DMEA 487, CONTRACT IDM-E26, SILVER BAY MINES

OPERATOR DID NOT RESUME WORK BY NOVEMBER 1,1955, AS PROVIDED IN AMENDMENT NO.4 AS AMENDED BY AMENDMENT NO.6. NEITHER HAS HE REPLIED TO OUR LETTER OF OCTOBER 25,1955. WE RECOMMEND CLOSING THE ACCOUNT. PLEASE TELETYPE ADVICE AS TO ACTION YOU PREFER IN THE MATTER.

W M TRAVER

Denver, Colo.

DEC 28 4 03 PM '55
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

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

RECEIVED
OCT 31 1955

224 New Customhouse
Denver 2, Colorado

October 25, 1955

Memorandum

To: Chairman of the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMA 487 (Lead-Zinc), Contract I-DMA-E26, Silver Bay Mines, Inc., San Juan County, Colorado

Enclosed for your information is the following material:

1. Four copies of a memorandum, dated October 21, 1955, from C. M. Harrer, which is relative to lack of activity at the site of the DMEA project.

2. Four copies of a letter from this office to the Operator's Agent requesting advice as to intentions for future work.

3. Four copies of a memorandum from C. M. Harrer and J. E. O'Rourke, dated August 1, 1955.

4. Three copies of a letter from this office to the Operator, dated August 4, 1955, relative to the matter discussed in the memorandum under item 3.

W. M. Traver

W. M. Traver

Enclosures

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

RECEIVED
OCT 31 1955

224 New Customhouse
Denver 2, Colorado

October 25, 1955

Mr. Alfred O. Brehmer, Agent
Silver Bay Mines, Inc.
670 Pearl Street
Denver, Colorado

Re: Docket DMA 487 (Lead-Zinc),
Contract I-DMA-E26

Dear Mr. Brehmer:

In your letter of August 31, 1955, wherein you requested authorization for suspension of operations to November 1, 1955, and extension of the completion date to October 13, 1956, you advised of your concurrence with the Government's recommendation for diamond drilling in lieu of drifting and further advised that you would submit your request with diamond drilling bids at an early date.

A recent inspection of the property disclosed that the ventilation fan had been disconnected and that the mine was inaccessible due to lack of oxygen.

As the date of November 1, 1955, which was established by Amendment No. 6 for resumption of operations, leaves insufficient time for the submission of your drilling program and the necessary action by this office prior to that date, we will appreciate advice from you as to your plans relative to future work to be performed under the contract.

Very truly yours,

W. M. Traver

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

JRT:pri
cc: Chairman, Oper. Comm. (4)
Hartman
Shaw
Drummond
Curran. file
Chron.

DATE
Date

OCT 25 1955

BUREAU OF MINES
Denver, Colorado

Building 20
Denver Federal Center
Denver 2, Colorado
October 21, 1955

REGION III

Memorandum

RECEIVED
OCT 2 1955

To: Executive Officer, DMEA Field Team, Region III

Through: John F. Shaw
Supervising Mining Engineer

From: C. M. Harrer

Subject: DMEA-487, Contract I-DMA-E26, Silver Bay Mines, Inc., (Lead-zinc), San Juan County, Colorado - Status of Contract

In a letter dated August 31, 1955, Mr. A. O. Brehmer agent for Silver Bay Mines requested suspension of the contract to November 1, 1955, stating that they would drift 30 to 50 feet on their own account.

The property was visited on September 7, 1955, and an advance of 82 feet on company account was measured and sketched.

On October 11, 1955, the property was again visited. At this time the fan was disconnected, and the mine was inaccessible due to lack of oxygen. A candle went out 150 feet in from the portal.

Silver Bay mines have probably stopped work recently and should be in a position to state their intentions of either continuing with the contract or requesting termination.

C. M. Harrer
Mining Engineer

CMH:ph

cc 9
E. N. Harshman
Idm-E878
Chron.

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

RECEIVED
OCT 31 1955

224 New Customhouse
Denver, Colorado

August 4, 1955

Silver Bay Mines, Inc.
670 Pearl Street
Denver, Colorado

Attention: Mr. Alfred Brehmer, Agent

Re: Docket DMA 487
Contract I-DMA-E26

Dear Sirs:

The Blackhawk mine was visited by a DMEA examining team on July 21, 1955 relative to your request for an amendment to Contract I-DMA-E26. The examining team verbally recommended that underground diamond core drilling should be considered at this time rather than the proposed drifting. They proposed drilling three core drill holes or approximately 1,000 feet from the point where the requested drifting was to begin to explore the target area. Please advise us if this plan is agreeable with you, and if so, please obtain and submit to this office three diamond drill bids for 1,000 feet of core drilling with AX core size as minimum.

This proposal was discussed in detail by the examining team and Mr. J. Cameron Grant last week.

Very truly yours,

W. M. Traver

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

wld:dja

cc: Mr. Ray Lilenquist
Silver Bay Mines, Inc.
P.O. Box 1498
Salt Lake City, Utah

Harshman
Shaw (2)
Townsend

Subject
Chron
Washington (3)

DMEA
Date Rec'd.
AUG 2 1955
BUREAU OF MINES
Denver, Colorado

Building 20, Room 137
Denver Federal Center
Denver 2, Colorado
August 1, 1955

RECEIVED
OCT 3 1 1955

Region III

Memorandum

To: Executive Officer, DMEA Field Team, Region III

Through: E. N. Harshman
Member Field Team
and
John F. Shaw
Supervising Mining Engineer

From: C. M. Harrer
J. E. O'Rourke

Subject: Request for amendment, Silver Bay Mines, Inc., Contract No. Idm-E26, DMEA 487X

The property of the Silver Bay Mines, Inc. was examined on July 21, 1955 relative to the request for an amendment to the Contract Idm-E26.

The field examiners do not believe that the target is sufficiently promising to warrant the drifting requested by the applicant. However, they would consider a program consisting of three diamond drill holes to explore the area beneath the gossan. Accordingly, will you please contact the applicant to determine if he would consider such a program and, if so, ask him to submit three bids for approximately 1,000 feet of size AX diamond core drilling.

John F. Shaw
C. M. Harrer
Mining Engineer

J. E. O'Rourke
J. E. O'Rourke
Geologist

/jw

cc: o/w 8
ENHarshman
Subj.
Chron.

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

October 24, 1955

Memorandum

To: Miss Curtin, Statistics and Control Division, DMEA

From: Hazel Berry, Operating Committee, DMEA

Subject: By 257 Amendments to Contracts

Attached are the following docket copies of amendments to contracts which have been reviewed and approved by the Commodity Divisions, Contract Administration and Audit Division, and the Legal Division. The official dockets are also attached.

Silver Bay Mines, Inc., DMEA-487, Idm-E26, Amendment No. 6.

Continental Uranium, Inc., DMEA-3297, Idm-E800, Amendment No. 1.

Attachments-2

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

224 New Customhouse
Denver 2, Colorado

September 16, 1955

Memorandum

To: Chairman of the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 487 (Lead, Zinc), Contract Idm-E26, Silver Bay Mines, Inc., Blackhawk mine, San Juan County, Colorado.

Enclosed are the original and two copies of Amendment No. 6, which was executed in this office to extend the suspension period as provided in Amendment No. 4 to November 1, 1955, and the completion period to October 13, 1956. Also enclosed are three copies of the letter of request, dated August 31, 1955, from the designated agent of the Operator.

W. M. Traver

W. M. Traver

Enclosures

RECEIVED
OCT 18 1955
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

RECEIVED
OCT 18 1955
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

DMEA
Date Rec'd.
SEP 2 1955
BUREAU OF MINES
Denver, Colorado

August 31, 1955

W. M. Traver
Executive Officer, DMEA
Field Team, Region III
New Custom House
Denver, Colorado

Re: Docket DMA 487
Contract I-DMA-E26

Dear Mr. Traver:

In checking our records we find that the period of supension fixed by amendment No. 5 was up August 1, 1955. Therefore, we ask that the period of supension be extended to November 1, 1955 and that the completion date of the contract be extended 1 year or to October 13, 1956.

We have decided to drift another 30 to 50 feet towards the target area proposed in our recent letter of June 24th, addressed to Mr. King. We are doing this at our own expense and feel we will be in a better position to diamond drill from that point with more certainty of being within the limits of drilling the target with accuracy.

It is our plan to go along with the recommendation of your field team and will submit three diamond drill bids, for 1,000 feet of core drilling with AX core size as minimum, at an early date.

Respectfully Submitted,

Silver Bay Mines, Inc.

Alfred O. Brehmer, Agent

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

RECEIVED
JUL 18 1955

224 New Customhouse
Denver 2, Colorado

July 14, 1955

Mr. Alfred Brehmer, Agent
Silver Bay Mines, Inc.
670 Pearl Street
Denver, Colorado

Re: Docket DMEA-487 (Lead-Zinc),
Silver Bay Mines, Inc., Big Indian claim,
San Juan County, Colorado, Amended Contract
Idm-E26

Dear Mr. Brehmer:

Your letter of June 24, 1955 requesting that the amount of your contract be increased will receive proper consideration.

A field examination will be made and you will be advised as to the final decision of the Washington DMEA office.

Very truly yours,

W. M. TRAVER,

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

HMC:pw

cc: Subject
Chron
Harshman
Shaw
Townsend
Chairman, Op.Comm. (2)

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

224 New Customhouse
Denver 2, Colorado

July 14, 1955

RECEIVED
JUL 1 6 1955

Memorandum

To: Chairman of the Operating Committee

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-487 (Lead-Zinc), Silver Bay Mines, Inc., Big Indian claims, San Juan County, Colorado, Amended Contract Idm-E26

Enclosed are the original and three copies of a letter and attached map submitted by the operator.

In accordance with your letter of June 13, 1955, a field examination will be made.

W. M. Traver

Enclosures

W. M. Traver

DMEA
Date Rec'd
JUN 27 1955
BUREAU OF MINES
Denver, Colorado

June 24, 1955

Mr. W. H. King, Executive Officer
Field Team, Region IV
224 New Customhouse
Denver, Colorado

RECEIVED
JUL 18 1955

Re: Docket DMEA 487
(Lead & Zinc)
Contract Idm E26

Dear Mr. King:

We wish to rescind our letter of May 13, 1955 wherein we requested that the remaining 88 feet of drifting under the contract be transferred for performance elsewhere in the mine.

It is our intention to continue the drift from the end of the drift driven on the cross structure, as plotted on the enclosed underground map, where sample #5 was cut. Technical Services, Inc. of Grand Junction, Colorado have recommended this point for the reason that it is believed that this cross structure intersects the Big Indian vein approximately 200' from the point where sample #5 was taken as most ore chutes are found at vein intersections and surface indications show a mineralized zone at this point. Sample #5 taken from a 2' cross section of the fissure assayed 0.01 oz. gold, 1.48 oz. silver, 0.17% copper and 7.22% lead.

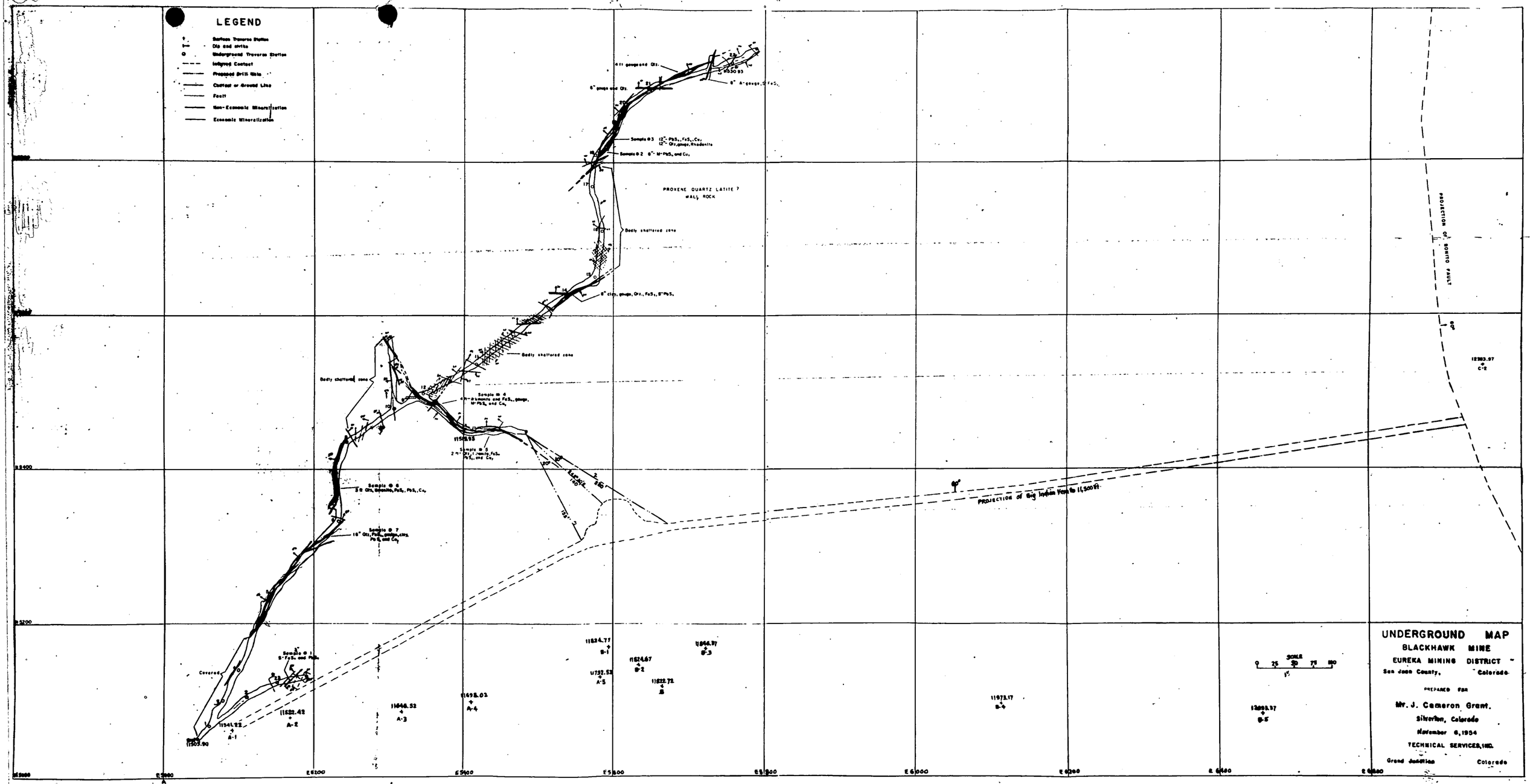
We ask that the amount of the contract be increased to $35,741.50 and that we be allowed to drift 200', at this new location, in order to reach our objective. We have only used 113' out of the 200' approved previously under stage II of this contract leaving 87' unused. The additional $5,141.50 increase in the total contract, plus the unused portion, is sufficent to drift the 200'.

Our costs will be somewhat higher than at the time the original application was submitted but we feel that it would be better if we would absorb the additional expense and estimate our costs at $45.50 per foot as previously submitted.

We enclose 9 copies of the survey map made of the underground workings.

Respectfully submitted

SILVER BAY MINES, INC.
Alfred O. Brehmer
Alfred O. Brehmer, Agent


LEGEND
Surface Traverse Station
Dip and strike
Underground Traverse Station
Indicated Contact
Proposed Drill Hole
Contact or Ground Line
Fault
Non-Economic Mineralization
Economic Mineralization
PROXENE QUARTZ LATITE ?
WALL ROCK
Badly shattered zone
Sample # 3 12"- PbS., FeS., Cu., 12"- Qtz, gouge, Rhodonite
Sample # 2 8"- M-PbS, and Cu.
8" clay, gouge, Qtz., FeS., S-PbS.
Sample # 4 4"- Rhodonite and FeS., gouge, M-PbS, and Cu.
Sample # 5 2 m- Qtz, Rhodonite, FeS., PbS., and Cu.
Sample # 6 5.0 Qtz, Rhodonite, FeS., PbS., Cu.
Sample # 7 18" Qtz, FeS., gouge, chips, Pb S, and Cu.
Sample # 1 S-FeS., and PbS.
Covered
Lateral 150
Trav. 2
PROJECTION of Big Indian Vein to 11,500 ft.
PROJECTION OF BONITO FAULT
60°
SCALE
0 25 50 75 100
1"
UNDERGROUND MAP
BLACKHAWK MINE
EUREKA MINING DISTRICT
San Juan County, Colorado
PREPARED FOR
Mr. J. Cameron Grant,
Silverton, Colorado
November 6, 1954
TECHNICAL SERVICES, INC.
Grand Junction Colorado

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

RECEIVED
JUN 20 1955

224 New Customhouse
Denver 2, Colorado

June 15, 1955

Mr. Alfred O. Brehmer, Agent
Silver Bay Mines, Inc.
670 Pearl Street
Denver, Colorado

Re: Docket DMEA 487 (Lead-Zinc)
Contract Idm-E26 Amended

Dear Mr. Brehmer:

Reference is made to your letter of May 13, 1955 wherein you request that the remaining 88 feet of drifting under the contract be transferred for performance elsewhere in the mine.

The remaining footage of drifting to be performed under the contract is insufficient to reach the inferred chimney, therefore your request is denied.

If you have an alternate proposal in mind we will be pleased to consider it.

Very truly yours,

W. M. TRAVER

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

JWT:jp
cc Subject
Chron
Chairman, Oper. Comm.
Harshman) w/copy Chairman's
Shaw) letter of June 9
Townsend

File Copy
Surname

500

Guaranol
Selfridge
Jefferson
Griswold

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

JUN - 9 1955

Mr. W. H. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Bldg
Denver 2, Colorado

Re: Docket No. DMEA-487 (Lead-Zinc)
Silver Bay Mines, Inc.
Big Indian Claim
San Juan County, Colorado
Amended Contract No. Idm-E26

Dear Mr. Traver:

We have your letter of May 23, with enclosures, referring to the cited contract. It would not seem proper to terminate the contract at this time, by unilateral action, since we have already approved a recess until August 1, 1955, in Amendment No. 5.

We are enclosing copies of memorandums by Mr. O. H. Bishop, USBM, dated June 1 and by Mr. N. E. Nelson, USGS, dated June 2. You will note that they both tend to favor the method (a) outlined in your letter. We, therefore, suggest that the field examination be made. If the Operator's proposal appears worthwhile, an amendment can then be prepared to provide the additional funds necessary to reach the target cited by the Operator.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (GHB)

Enclosures

WRGriswold/er 6/6/55

APPROVED:

J. H. Hedges (GHB)
Member, Bureau of Mines

Thor H. Kiilsgaard (GHB)
Member, Geological Survey

Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

R.C.G.

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

RECEIVED
JUN - 3 1955

June 2, 1955

Re: DMEA 487, Idm-E26
Silver Bay Mines, Inc.
San Juan County, Colo.
Lead-zinc

Memorandum

To: W. R. Griswold, Defense Minerals Administration

From: N. E. Nelson, U. S. Geological Survey

Subject: Review of application to change target

A too short study of the mass of data relating to this and the original applications leads me to think this application should be granted, provided a check of sample #5 and a close inspection of the side of the drift confirms the belief of the applicant that a vein may be "making" at that point.

Evidently varying concepts of structure have been disproven by the considerable work done. Perhaps the new concept should be given a chance.

If the inspection is made the sizeable differences in the alignments of sections of the Blackhawk Tunnel near the inner end as shown on the Dare and Grant maps should be investigated.

In the circumstances I recommend following, in part, suggestion (a) of the letter of W. M. Graver of May 23. The small "bite" could be very informative. If unfavorable results are obtained, quit. If favorable the applicant would probably continue to the possible chimney.

N. E. Nelson

N. E. Nelson

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

RECEIVED
JUN - 2 1955

June 1, 1955
Re: DMEA-487
Alfred O. Brehmer, Agent
Silver Bay Mine, Inc.
San Juan County, Colo.

Memorandum

To: W. R. Griswold, DMEA

From: O. M. Bishop, Branch of Base Metals

Subject: Recommendation that applicant's request be approved with modification (a) suggested by W. M. Traver

I have reviewed the applicant's request of May 13, 1955 in which he asks approval to use remaining funds to drift southeasterly on the 2-foot mineralized zone exposed at coordinates N5450 and E5460. I have also reviewed W. L. Dare's recommendation for certification and noted the improbability of profitable mining on the flat dipping, narrow, lean, Big Indian Vein with a hangingwall that requires support.

I appreciate the reasons for the operator wishing to use his remaining Government assistance to look for better mineralization. Although the analyses of sample 5 is not high grade it is comparable to the analyses on the Big Indian Vein, and if the applicant's geological projection of the Big Indian Vein is well conceived the structure has considerable potential at its intersection.

I recommend that the field team be requested to make a thorough field examination to determine if the mineralization cut by sample 5 appears adequate to warrant drifting upon it, if there is sound evidence for the "chimney" indicated by the applicant, and whether the applicant wishes to participate with DMEA in an amendment that will permit drifting to the objective; also why if the "chimney" is a worthwhile target diamond drilling from the existing face at N5455 and E5480 is not considered.

If the mineralization to be drifted on is as good as that on the Big Indian Vein, I see no barrier to permitting the remaining drifting on the new structure even though an intersection with the Big Indian Vein is not reached.

O. M. Bishop
O. M. Bishop

Copy to: Div. of Minerals
Mr. Kiilsgaard, Rm. 5224
O. M. Bishop
Files

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

THE INTERIOR
Minerals Administration
RECEIVED
MAY 23 1955

224 New Customhouse
Denver 2, Colorado

May 23, 1955

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 487 (Lead-Zinc), Contract Idm-E26, Silver Bay Mines, Inc., San Juan County, Colorado

Enclosed is the following material relative to a request from the operator to transfer the remaining footage of drifting authorized under the contract for performance elsewhere in the mine:

1. Original and three copies of the operator's request dated May 13, 1955, with attached map.

2. Original and three copies of a memorandum dated May 19, 1955 from D.R. MacLaren, Geologist, U.S. Geological Survey, and transmittal thereof from E.N. Harshman dated May 20, 1955.

3. Original and three copies of a memorandum dated May 20, 1955 from John F. Shaw, Supervising Mining Engineer, U.S. Bureau of Mines.

4. Original and three copies of a memorandum dated February 18, 1954 from W.L. Dare, Mining Engineer, U.S. Bureau of Mines, and transmittal thereof from the Chief, Mineral Resources Branch, Mining Division, Region IV, dated February 23, 1954, wherein it is recommended that a Certification of Discovery or Development be issued as a result of the exploration work performed under the contract.

5. One copy each of Form MF-104A, Engineer's and Operator's Narrative Reports for the months of September and November 1953.

Other material relative to the matter was forwarded to the Washington office by our memorandum of September 23, 1954.

The operator has removed the pipe and track from the heading which was being driven under the contract and apparently is not in favor of continuing work at that location and has requested that the remaining footage be transferred for use elsewhere.

The examining engineer and geologist are not in favor of expending the remaining footage at the new location proposed by the operator, especially as the 88 feet remaining will not reach the objective.

It appears that the matter should be resolved in one of the two following methods:

(a) Provide the additional funds necessary to reach the objective of the drift proposed by the operator. Approval of the foregoing would be contingent on a thorough field examination.

(b) Deny the operator's request and terminate the contract in its present status and certify the project as a Discovery or Development in accordance with the material under item 4.

The DMEA Field Team, Region III, prefer the latter action, however we will appreciate your review of the entire matter and advice to us as to how we should proceed.

In the event the contract is terminated the Audit Report dated November 4, 1953 indicates that the following jointly owned property would be subject to liquidation procedures:

Item	Cost to Project
Pipe	$114.79
Track	184.71
Vent Tubing	917.13
Operating Equipment Purchased	724.00
Total	$1940.63

Very truly yours,

W. M. Traver

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

Encls.

May 13, 1955

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 26 1955

Mr. W. H. King, Executive Officer
Field Team, Region IV
224 New Customhouse
Denver, Colorado

Re: Docket DMEA 487
(Lead & Zinc)
Contract Idm E26

Dear Mr. King:

We have recently had a survey made of the Blackhawk property to determine the best location to resume work.

Technical Services, Inc. of Grand Junction, Colorado, have recommended that we continue the drift in the second dog hole leading off to the right from the main tunnel at the point where sample #5 was taken. This sample, taken from 2' width of the stringer or vein assayed .01 oz. Gold; 1.48 oz. Silver; 0.17% Copper, and 7.22% Lead. The stringer rolled slightly to the right at that point and the tunnel was advanced straight ahead, consequently they ran out of the mineralized zone.

Our objective is to follow this stringer until we reach the indicated chimney, as shown on the survey map, which outcrops on the surface. The distance as indicated by the survey is approximately 200 ft.

We would appreciate your approval to advance the drift 88 ft. from this point to complete the present Government Contract.

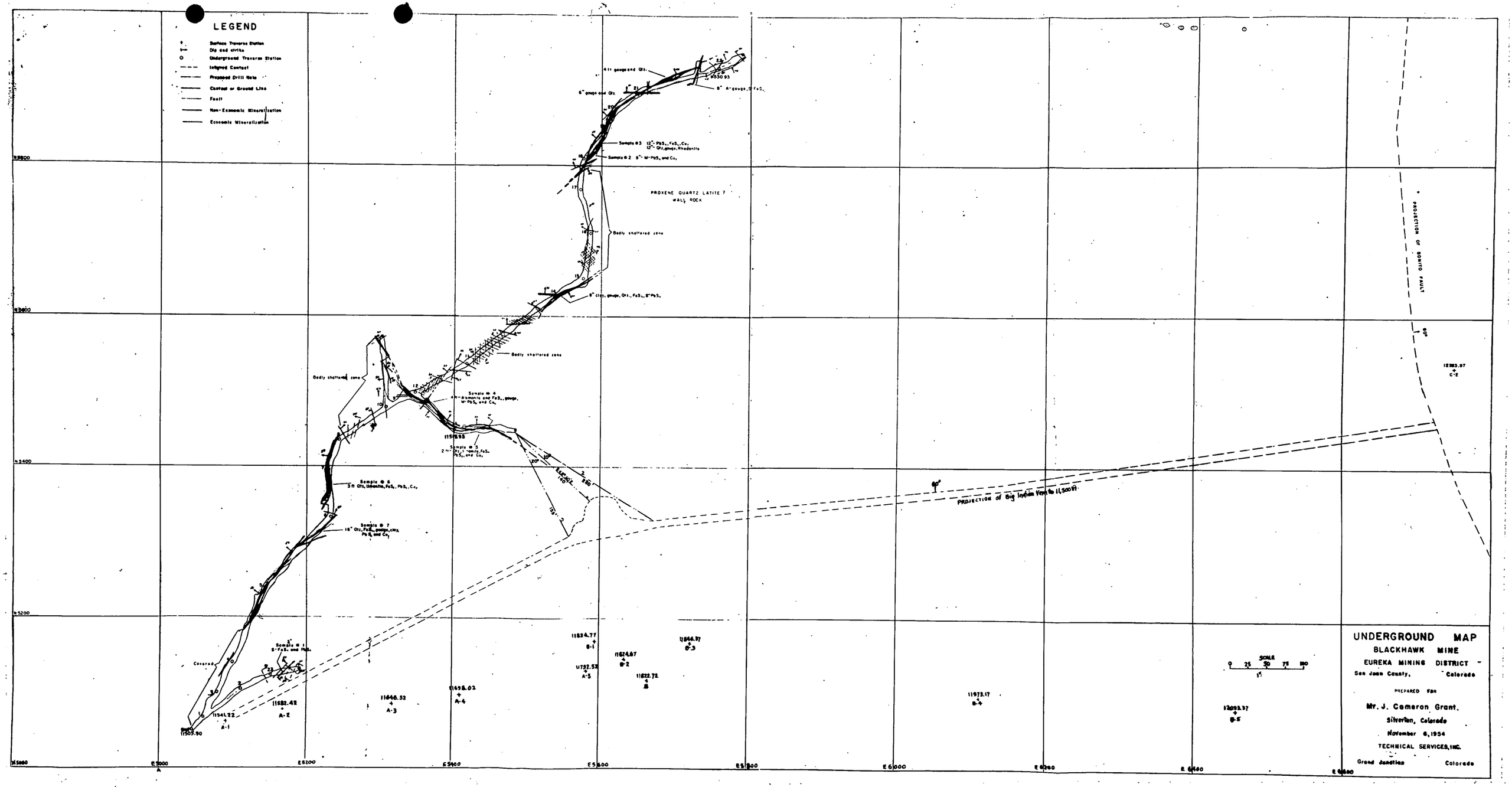
We are enclosing 6 copies of the survey map for your use.

Respectfully submitted,

SILVER BAY MINES, INC.

By Alfred O. Brehmer
Agent for Silver Bay Mines, Inc.

Encs.


LEGEND
Surface Traverse Station
Dip and strike
Underground Traverse Station
Inferred Contact
Proposed Drill Hole
Contact or Ground Line
Fault
Non-Economic Mineralization
Economic Mineralization
PROXENE QUARTZ LATITE ? WALL ROCK
Badly shattered zone
Badly shattered zone
Badly shattered zone
PROJECTION OF BONITO FAULT
PROJECTION of Big Indian Vein to 11,500 ft.
Covered
N 5600
N 5400
N 5200
N 5000
E 5000
E 5200
E 5400
E 5600
E 5800
E 6000
E 6200
E 6400
E 6600
SCALE
0 25 50 75 100
UNDERGROUND MAP
BLACKHAWK MINE
EUREKA MINING DISTRICT
San Juan County, Colorado
PREPARED FOR
Mr. J. Cameron Grant,
Silverton, Colorado
November 6, 1954
TECHNICAL SERVICES, INC.
Grand Junction Colorado

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
MAY 26 1955

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 20 1955

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
February 23, 1954

Mining Division
Date Rec'd
FEB 24 1954
BUREAU OF MINES
Denver, Colorado

Memorandum

To: Executive Officer, DMEA Field Team, Region IV

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

Subject: DMEA 487, Contract IDM-E26 Amended, Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado--Certification of Discovery or Development

Enclosed are the original and eight copies of the above recommendation for Certification of Discovery or Development.

Dare concludes that while his sampling of the exposures of the Big Indian vein have indicated only submarginal ore over a 60-foot section, there is a possibility that the additional exploration allowed by the contract and later development by the operator may disclose other commercial ore deposit. He recommends Certification of Discovery or Development, and I concur with his conclusions and recommendations.

Three copies of form "B" with description of the discovery for your use in recommending certification to the Operating Committee are included with the certification memorandum.

W. M. Traver

W. M. Traver

enclosure

WMT/kp

cc: 8
E26 Amend.
Chron

21254-3
DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 26 1955

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

FORM B

To:1/ Silver Bay Mines, Inc., 1370 So. 2nd West Street, Salt Lake City, Utah.
Blackhawk mine, San Juan County, Colorado.

Pursuant to the provisions of Exploration Project Contract No. IDM-E26 ~~Idx~~ (Amended), dated April 13, 1953, (Docket No. DMEA 487), hereinafter called the "contract" between you and the United States of America, hereinafter called the "Government"; to establish and fix the Government's percentage royalty on production and its lien thereon 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:

Project drifting on the Big Indian vein has disclosed the presence of marginal grade ore. The Government in its assistance in the cost of developing the property by crosscutting to and drifting on the vein, has increased the possibility of discovering additional ore deposits.

Dated: _____

THE UNITED STATES OF AMERICA

By _____
Administrator, Defense Minerals
Exploration Administration

1/ Insert full name of operator as it appears in the Exploration Project Contract

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

FORM A

To:1/ _____

_____

Pursuant to the provisions of Exploration Project Contract No. Idm _____, dated _____, (Docket No. _____), hereinafter called the "contract", between you and the United States of America, hereinafter called the "Government"; to establish and fix the Government's percentage royalty on production and its lien thereon and on the mineral deposit which is the subject of the exploration project, the Government considers and therefore certifies that a discovery or development has resulted from the work from which commercial production of ore may be made.

The Government's estimate of said discovery or development is particularly described and delimited as follows:

_____

_____

_____

_____

_____

_____

Dated: _____

THE UNITED STATES OF AMERICA

BY _____
Administrator, Defense Minerals
Exploration Administration

1/ Insert full name of operator as it appears in the Exploration Project Contract.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 26 1955

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
February 18, 1954

Memorandum

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

From: W. L. Dare

Subject: DMEA 487, Contract IDM-E26 Amended, Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado--Certification of Discovery or Development

Work under Exploration Contract IDM-E26 was initiated on June 27, 1951. Due to severe winter conditions, the project was recessed on October 5, 1951. The project was reactivated during the next two work seasons, from July 26 to October 26, 1952, and from June 25 to November 30, 1953.

During 1951 and 1952, the operator completed 329.5 feet of crosscutting and 86.5 feet of drifting. In 1952 an additional 75.5 feet of drifting was completed at the operator's expense. All project work during the first two work seasons was accomplished under the original cost-incurred type contract, later included in the amended contract as Stage I. The amended exploration contract, signed on April 13, 1953, provided Government assistance for an allowable 200 feet of drifting under Stage II on the basis of an agreed estimated unit cost. Drifting completed in 1953 under Stage II totaled 113 feet.

Accepted costs under Stage I, approved by the Contract Administration and Audit Division, total $20,493.29. Including approved footage completed in November 1953, as yet not claimed by the operator, project costs under Stage II of the amended contract total $5,141.50.

There is still a question if the vein intersected in 1952 is actually the Big Indian vein or a split of that vein. The vein is flat, and dips to from 30° to 55° to the west and north. The vein contains gold, silver, and the sulphides of lead, zinc, and copper. Due to the flatness of the vein, the alteration and gouge, the material tends to slough.

Drifting on the vein amounted to approximately 205 feet, at which point the subcontractor lost the vein. Referring to figure 1,

at the point where sample No. WLD-40 was taken, the vein turned sharply to the north. The subcontractor, believing the vein to be faulted, drifted past the point where the vein turned, to pick up the offset on the other side of the fault. However, the vein had made the distinct change in direction previously and definitely was not faulted as suspected. The subcontractor was advised to drop back to where he lost the vein and drift north on it.

Sample locations with assay values are shown on figure 1. The length of vein sampled was 205 feet. Sample locations, where permitted, were at 10-foot intervals, and where possible, samples are composites of both walls of the drift, using an estimated average vein width.

Sample results have shown a major portion of the vein material exposed to be substantially below marginal grade, except for an approximate 60 feet, samples WLD-31 to WLD-35, inclusive (fig. 1). Along this 60-foot interval, the vein averages 2.93 feet wide with an average assay value of 0.023 ounce gold, 2.3 ounces silver per ton, 3.1 percent lead, 4.5 percent zinc, and 0.2 percent copper.

Ore reserves are calculated laterally over a distance of 60 feet, using a dip distance of 30 feet above and below the drift. Because of the flatness of the vein and the tendency to slough, an average mining width was not estimated. Reserves are based on the average assay width of the vein. Indicated reserves are estimated as 900 tons, having an average assay of 0.023 ounce gold, 2.3 ounces silver per ton, 3.1 percent lead, 4.5 percent zinc, and 0.2 percent copper.

There is no record of ore shipments resulting from the exploration project.

The grade and size of the estimated present reserve classify it as marginal at this time. However, because of assistance supplied by the Government in the cost of property development, crosscutting to the vein, and drifting along the vein, and the possibility of discovering better deposits ahead, Certification of Discovery or Development is recommended.

W. L. Dare
Mining Engineer

enclosures

WLD/kp

cc: 8
E26
Chron

LARGE FORMAT DOCUMENTS AT END OF FILE

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

DMEA
Date Rec'd
MAY 23 1955
BUREAU OF MINES
Denver, Colorado

Region III

Building 20, Room 137
Denver Federal Center
Denver 2, Colorado
May 20, 1955

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 26 1955

Memorandum

To: Executive Officer, DMEA Field Team, Region III

From: John F. Shaw, Supervising Mining Engineer

Subject: DMEA 487, Contract Idm-E26, (Lead-Zinc), Silver Bay Mines, Inc., San Juan County, Colorado

In a letter to the Executive Officer, dated May 13, 1955, the operator requested an amendment to Contract Idm-E26. Permission was requested to continue the drift in the second dog hole leading off to the right of the main tunnel in the direction of an indicated chimney. Only 88 feet of drifting remain under the contract and it is estimated that it will require approximately 200 feet to reach the inferred chimney.

It is recommended that this request be denied because there are not sufficient funds in the contract to reach the objective and because there are no surface indications that would warrant exploration in this direction.

It is further recommended that the contract be terminated and a Certification of Discovery be issued.

John F. Shaw

cc 8
EN Harshman
Idm-E26
Chron

JFS/cm

DMEA
Date Rec'd REFER TO:
MAY 20 1955
BUREAU OF MINES
Denver, Colorado

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

THE INTERIOR
Minerals Administration
RECEIVED
MAY 2 6 1955

May 20, 1955

Memorandum

To: Field Team, Region III

From: E. N. Harshman

Subject: DMEA Docket 487 (Lead-Zinc), Contract Idm-E26, Silver Bay Mines, Inc., San Juan County, Colorado

Enclosed are the original and eight copies of a memorandum by D. R. MacLaren, U. S. Geological Survey, making certain recommendations regarding an amendment request by Silver Bay Mines, Inc.

I concur with the recommendation in the memorandum.

E. N. Harshman

E. N. Harshman
Member, Field Team

Enclosures (9)

IN REPLY REFER TO:

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 26 1955

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

May 19, 1955

Memorandum

To: E. N. Harshman

From: D. R. MacLaren

Subject: DMEA Docket 487 (Lead-Zinc), Contract Idm-E26, Silver Bay Mines, Inc., San Juan County, Colorado

In a letter dated August 5, 1954, Alfred O. Brehmer, agent for the subject operator, requested authorization to use the remaining 88 feet of drifting to explore the Blackhawk vein rather than to continue exploration along the Big Indian vein as authorized in amended Contract Idm-E26. In a memorandum dated September 14, 1954, I briefly described the geology exposed in the workings up to that time and gave my reasons for recommending that the application be denied.

In a memorandum dated May 13, 1955, Mr. Brehmer again requests authorization to use the remaining 88 feet to explore a vein that will probably intersect the Blackhawk vein (which is now designated as the Big Indian vein on a map that accompanies the request) at an inferred mineralized chimney that outcrops on the surface. While this might well be a worthwhile project, all the facts were known at the time of the original application when the applicant proposed to extend the existing crosscut to the northeast to intersect the Big Indian vein,

and to drift along that vein. In order to reach the inferred chimney in the Blackhawk vein the applicant estimates that 200 feet of drift, of which only 88 feet are available under the present contract, will be necessary. Therefore, I do not see any reason to change the recommendation in my memorandum report of September 14, 1954. I recommend that it is to the best interest of the Government to deny this application, or to terminate the existing contract and to certify a discovery as recommended by the Bureau of Mines examiner.

D R MacLaren

D. R. MacLaren

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

224 New Customhouse
Denver 2, Colorado

November 9, 1954

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 12 1954

Memorandum

To: Chairman, Operating Committee

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket No. DMEA 487 (Lead-Zinc), Amended Contract Idm-E26, Silver Bay Mines, Inc., Big Indian claim, San Juan County, Colorado

Enclosed are the Government, Division and Docket copies of Amendment No. 5 of amended contract Idm-E26 which was prepared in Washington and signed by the Administrator, DMEA, for the Government and forwarded to this office for signature by the operator, by your letter of October 28, 1954.

The amendment authorizes a suspension of operations to not later than August 1, 1955, extends the period for completion of the project work to October 13, 1955, and extends the period for payment of royalties from twelve years to thirteen years.

Copies of the amendment have been given to the operator, the Finance Office, Region IV, and a copy retained for our files.

John F. Shaw
for W. H. King

Enclosures

File Copy
Surname
Griswold
Chandler
Selfridge
JHJohnson

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

OCT 28 1954

Mr. W. L. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA-407 (Lead-Zinc)
Silver Bay Mines, Inc.
Big Indian Claim
San Juan County, Colorado
Amended Contract No. Idm-E26

Dear Mr. King:

Referring to your letter of September 23, we are enclosing the original and five copies of amendment No. 5 to the cited amended contract. We have granted the extensions of recess period and completion period as requested by the Operator.

We have taken no action on the requested change of location for the 88 feet of drifting remaining under the contract. Since this matter lies within the range of your delegated authority, and since you are opposed to the requested change, no action on our part is necessary. Project changes which involve a considerable change in target or procedure in arriving at a target should be referred to us, but changes of small magnitude or of a routine nature do not require our approval.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (JHB)

Enclosure

WRGriswold/er 10/22/54

APPROVED:

J. H. Hedges (JHB)
Member, Bureau of Mines

Thor H. Kiilsgaard (JHB)
Member, Geological Survey

Copy to: Docket
Admr R File
Op. Committee
Base Metals
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Chron.

Docket copy

AMENDED EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INC.
DOCKET NO. DMEA-487

AMENDMENT NO. 5 to AMENDED CONTRACT

It is agreed this _____ day of _____, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Silver Bay Mines, Inc., that Amended Exploration Project Contract Idm-E26 (Docket No. DMEA-487), dated April 13, 1953, as amended, is further amended as follows:

1. The period of suspension fixed by Amendment No. 4 as ending not later than September 1, 1954, is extended to not later than August 1, 1955.

2. The time for completion fixed by Amendment No. 4 as prior to February 13, 1955, is extended to prior to October 13, 1955.

3. The period for the payment of royalties fixed by Annex III at eleven years is extended to thirteen (13) years.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____
Administrator, Defense Minerals
Exploration Administration

Hoffman
Truswell
Chamberlin

SILVER BAY MINES, INC.

By _____

_____

File Copy
Surname

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

INTERIOR DEPT.
OCT 6 - 1954
SOLICITOR

October 5, 1954

Memorandum

To: Acting Assistant Solicitor, DME.

From: Chief, Base Metals Division

Subject: Docket No. DMEA-487, Silver Bay Mines, Inc., Big Indian Claim, San Juan County, Colorado, Amended Contract No. Idn-K26, Zinc-Lead

Will you kindly prepare an Amendment No. 5 to the cited amended contract which will:

Continue the recess period from September 1, 1954 to August 1, 1955.

Extend completion period from February 13, 1955 to October 13, 1955.

Extend repayment period from 12 years to 13 years.

W. R. Griswold

W. R. Griswold

WRG:er 10/5/54

Copy to: Docket
Base Metals
Chron.

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

224 New Customhouse
Denver 2, Colorado

September 23, 1954

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 487 (Lead-Zinc), Contract Idm-E26, Silver Bay Mines, Inc., San Juan County, Colorado

Enclosed for your consideration and appropriate action is the following material relative to an amendment to the subject contract:

1. Original and three copies of a letter dated August 5, 1954 with attached map from Alfred O. Brehmer, authorized agent for Silver Bay Mines, Inc.

2. Original and three copies of a memorandum dated August 24, 1954 from Glen Walker, Mining Engineer, U.S. Bureau of Mines, and transmittal thereof from the Chief, Mineral Resources Branch, Mining Division, Region IV, of the same date.

3. Original and three copies of a letter dated September 1, 1954 from Alfred O. Brehmer, Agent, Silver Bay Mines, Inc.

4. Memorandum dated September 14, 1954 from D.R. MacLaren, Geologist, U.S. Geological Survey.

The operator's agent in his letters of August 5 and September 1, 1954, requests as follows:

(a) Authorization to expend the balance of footage and funds in drifting on the Blackhawk vein in lieu of continuing to drift on the Big Indian vein as authorized in the contract.

(b) Extension of the period of recess of operations to August 1, 1955.

(c) Extension of the period for completion of the project work for one additional year.

The examining geologist in his memorandum under item 4 summarizes the situation and recommends that the operator's request to expend the balance of footage in drifting on the Blackhawk vein in lieu of drifting on the Big Indian vein be denied, in which we concur.

The operator's agent indicated verbally in this office that in all probability the operator would request additional funds for performance of drifting on the Blackhawk vein as a result of the drifting which is currently being performed on the Blackhawk vein at company expense.

Granting extension of the recess period and extension of the completion period of the project work is not within the authority delegated to this office, therefore the matter is forwarded to you for your consideration and appropriate action without specific recommendations in that regard.

W. H. King

Enclosures

September 14, 1954

DEPARTMENT OF THE INTERIOR
Bureau of Mines
Minerals Administration
RECEIVED
SEP 27 1954

Memorandum

To: Mr. A. H. Koschmann E.M.H. for A.H.K.

From: D. R. MacLaren

Subject: DMEA Docket 487 (lead-zinc), Contract Idm-E26, Silver Bay Mines, Inc., San Juan County, Colorado

In a letter dated August 5, 1954, Alfred O. Brehmer, agent for the subject operator, requested authorization to use the remaining 88 feet of drifting to explore the Blackhawk vein rather than to continue exploration along the Big Indian vein as authorized in amended contract Idm-E26.

I visited the property August 18, 1954, and brought the geologic mapping up to date. The vein being followed has been identified by W. W. Bentley, consultant for the operator, as the Big Indian vein. I was told at the property that Bentley based this identification of the vein by a horizontal projection from a caved tunnel and a shaft on the vein some 1,700 feet southwest of the exploration drift. The company was granted a recess of operations in order to make a surface survey to try to trace the Big Indian vein to the vicinity of the present workings. From the map submitted, apparently the survey was limited to tracing the Blackhawk vein. As no map showing the Big Indian vein is available, there is no reason to assume that Bentley's identification is incorrect. After the operator had driven 329.5 feet of crosscut to reach the vein, and had drifted on it for 86.5 feet, the amended contract Idm-E26 was signed to authorize continuation of the drift 200 feet.

At the time of my visit a total of 210 feet of drift had been driven on the vein, of which 75.5 feet had been done at the operator's expense. The vein varies in width from about 1 to 6 feet between seams

of clay gouge up to 2 inches thick along both walls. For about 130 feet it strikes N. 36° E. and dips from 40° to 55° northwest. It then makes a sharp bend, apparently controlled by two shear planes that are small and poorly mineralized as they enter the drift from the northwest wall. From the junction of the vein and the shears, the vein strikes S. 73° E. and dips 40° to 60° northeast for about 65 feet. This segment of the vein contains a 60-foot streak of sub-marginal ore. Beyond this segment the vein swings back towards the north, striking N. 80° E. and dipping 40° north for about 30 feet, as exposed in a short spur from the main drift. For some reason, the main drift continues on the S. 73° E. bearing for about 35 feet, then swings to N. 55° E. for another 25 feet, all in barren ground. The final 10 to 15 feet of vein exposed is mostly clay with a few irregular stringers of quartz and lead-zinc sulfides. The portion of drift beyond the vein cuts across three small quartz veinlets that strike N. 40° E. and dip 70° northwest. It is quite possible that when the Big Indian vein joins these stringers the mineralization will improve.

The Bureau of Mines examiners have sampled the Big Indian vein, and as a result, have recommended that a discovery be certified on the basis of a 60-foot streak of sub-marginal ore, mentioned above, that has an average width of 2.93 feet and an average grade of .023 ounces gold and 2.3 ounces silver per ton, 3.1% lead, 4.5% zinc, and 0.2% copper.

At the time the original application was being considered, W. S. Burbank of the U. S. Geological Survey pointed out that 1,000 to 2,000 feet of drifting on the Big Indian vein would be necessary to establish or disprove its worth as a major source of lead and zinc, and that the 600 feet of drifting requested by the applicant might be inadequate

for a conclusive test of the ground.

In view of Burbank's statement, and the fact that a 60-foot streak of sub-marginal ore has been found as a result of 210 feet of drifting, it is concluded that it is more desirable to complete the drifting on the Big Indian vein, as set up in amended contract Idm-E26, than to transfer the remaining footage to another vein. Therefore it is recommended that the operator's request to transfer the final 88 feet (actually 87 feet) to the Blackhawk vein be denied.

In another letter dated September 1, 1954, Mr. Brehmer requested a recess to do some work on the Blackhawk vein at company expense, and a postponement of the date of completion of the contract to February 13, 1956. As this is an administrative question, not affected by the geologic conditions, no recommendation is made.

670 Pearl Street
Denver, Colorado
September 1, 1954

Mining Division
Date Rec'd
SEP 9 - 1954
BUREAU OF MINES
Denver, Colorado

Mr. W. H. King, Executive Officer
Field Team, Region IV
224 New Customhouse
Denver, Colorado

RE: Docket DMEA 487
(Lead & zinc)
Contract IDM-E26

Dear Mr. King:

An extension of the recess on the subject contract is requested until August 11, 1955.

We wish to discontinue heading of the present tunnel while doing exploration work on the property to determine the best place and direction in which to make progress. This exploration will be done on the vein labeled "Blackhawk Vein" on the map dated July 30, 1954 and signed by J. J. Tassi and A. T. Cardone. At the conclusion of this exploration we shall have determined whether to extend the present tunnel or to request an amendment to the contract to permit work in another part of the mine.

Since this contract expires on Feb. 13, 1955 we ask that the expiration date be set ahead 1 year in order that we can complete the footage remaining and allowed under the contract.

Respectfully submitted,

Silver Bay Mines, Inc.
Alfred O. Brehmer
Alfred O. Brehmer, Agent

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Department of the Interior
Defense Minerals Administration
RECEIVED
SEP 27 1954

Mining Division
Date Rec'd
AUG 25 1954
BUREAU OF MINES
Denver, Colorado

Region IV

Building 20, Room 137
Denver Federal Center
Denver 2, Colorado
August 24, 1954

Memorandum

To: Executive Officer, DMEA Field Team, Region IV

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

Subject: DMA 487X, Contract I-DMA-E26 Amended (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado

Enclosed are the original and eight copies of Glen Walker's memorandum with reference to a requested change of the remaining footage, approximately 88 feet, on the subject contract to a different location. The recommendation, which concurs with that made by the Geological Survey participant, D. R. MacLaren, has my approval.

Your attention is called to a very obvious error in the operator's request wherein he states that drifting has not been done on the Blackhawk vein as intended. Reference to both the original and amended contract definitely shows that the objective of the project was to crosscut from the Blackhawk tunnel face to intersection of the Big Indian vein and drift on the Big Indian vein. So far, according to interpretation of Bureau of Mines and Geological Survey Region IV DMEA representatives, this has been done. There is no reference anywhere in either contract to drifting on the Blackhawk vein. The original contract was prepared in Washington, presumably after conference with Wilbur Burbank.

W. M. Traver

W. M. Traver

enclosure

WMT/kp

cc 8
E26
Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 2, Colorado
August 24, 1954

Memorandum

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

From: Glen Walker

Subject: DMA 487X, Contract I-DMA-E26 Amended (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado--Location of final drift footage

With reference to a letter dated August 5, 1954 from Alfred O. Brehmer requesting approval to consume the remaining contract drift footage along the Blackhawk vein, it is recommended, after conferring with Don MacLaren of the Geological Survey, that the remaining footage be used in advancing a face previously started on the Big Indian vein about 70 feet from the last measure point. The Big Indian vein is mentioned in the Government contract as the one along which the drifting was to be done.

Glen Walker
Glen Walker
Mining Engineer

GW/kp

cc 8
E26
Chron

August 5, 1954

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
SEP 27 1954

Mr. W. H. King
Executive Officer
Field Team, Region IV
224 New Customhouse
Denver, Colorado

Re: Docket DMEA 487
(Lead & Zinc)
Contract Idm E26

Dear Mr. King:

In accordance with a conversation with Mr. Townsend, at his request, we are submitting herewith ten photostatic copies of a map showing a geologocial survey of the Blackhawk properties.

You will note that the exploration work done up to date has not followed the "Blackhawk" vein. It is our understanding that there is approximately 88' to complete the present Government DMEA loan.

According to the geogolist, who has completed the transit survey and has made a geological inspection of the properties, he has recommended that we proceed on the "main" Blackhawk vein by extending the origonal tunnel. This origonal tunnel appears as a "doghole" to the right of the portal.

You will note that the "main" vein as outcropping on the surface shows continous lines delineating the vein running almost due east. The dashed lines are inferred as talus covers the remainder of the vein eastward. It outcrops again, which, may or may not be the same vein.

Due to the fact that dump indications revealed galena & zinc sulphide at an approximate 200' from the portal, we intend to extend this tunnel a little further.

We would appreciate having your approval to apply the remaining 88', as suggested above, to complete the present Government contract.

Respectfully submitted,

Silver Bay Mines, Inc.

Alfred O. Brehmer

By Agent for Silver Bay Mines, Inc.

LARGE FORMAT DOCUMENTS AT END OF FILE

File Copy

Griswold
Chandler
Selfridge
Johnson

500

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

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA-487 (Zinc-Lead)
Silver Bay Mines, Inc.
Big Indian Claim
San Juan County, Colorado
Amended Contract No. Idm-E26

Dear Mr. King:

Referring to your teletype of July 8, concerning the cited contract, enclosed are the original and five copies of Amendment No. 4 to the amended contract.

Inasmuch as there seems some likelihood that work will be resumed on this project, we have attached Annex IV to the amendment, to protect the interest of the Government.

We believe the amendment is in accord with your recommendations. If so, please present the amendment to the Operator for signature and distribute the copies in the usual manner. Otherwise, all copies should be returned to this office with your comments.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee

Enclosures 6

WRGriswold/er (rewritten 7/27-8/5/54)

APPROVED:

J. H. Hedges
Member, Bureau of Mines

s/ E. L. Newcomb
Member, Geological Survey

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Gildersleeve
Mr. Bishop
Chron.

R.C.

File Copy
Surname

Griswold
Chamber
Selfridge
F E Johnson

500

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA-487 (Zinc-Lead)
Silver Ray Mines, Inc.
Big Indian Claim
San Juan County, Colorado
Amended Contract No. Idm-F26

Dear Mr. King:

Referring to your teletype of July 8, concerning the cited contract, enclosed are the original and five copies of Amendment No. 4 to the amended contract.

We believe the amendment is in accord with your recommendations. If so, please present the amendment to the Operator for signature and distribute the copies in the usual manner. Otherwise, all copies should be returned to this office with your comments.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (JHB)

Enclosures 6

APPROVED:

J. H. Hedges (JHB)

Member, Bureau of Mines

D. M. Larrabee (JHB)

Member, Geological Survey

WRGriswold/bjl (7/27/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Gildersleeve
Mr. Bishop
Chron.

~~Extra Copy~~
Docket Copy

AMENDED EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INC.
DOCKET NO. DMEA-487

AMENDMENT NO. 4

It is agreed this _____ day of _____, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Silver Bay Mines, Inc., hereinafter called the "Operator," parties to that certain Amended Exploration Project Contract Idm-E26 (Docket No. DMEA-487), dated April 13, 1953, as amended, hereinafter called the "Amended Contract," that:

1. Amendments Nos. 2 and 3 are cancelled.

2. Effective November 30, 1953:

(a) Work under the Amended Contract shall be suspended during the period beginning November 30, 1953, and ending not later than September 1, 1954.

(b) 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.

(c) The Operator at his 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.

3. The time fixed for the completion of the work is extended to February 13, 1955.

4. Annex IV attached hereto and made a part hereof is substituted for the provisions of Article 9 of the Amended Contract, in lieu of Annex III attached to Amendment No.2.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute,

nor the amount of any item designated as "allowable maximum."

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____
Administrator, Defense
Minerals Exploration
Administration

Robert Hefflund
Griswold
Chandler
Selfridge

SILVER BAY MINES, INC.

By _____

_____

AMENDED EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INC.
DOCKET NO. DMEA-487

ANNEX IV

The following provisions are in lieu of Article 9:

Repayment by Operator.--a. Certification.--A certification of discovery or development is hereby waived.

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 described in Article 2 of the contract for a period of twelve years from the date of the Prior Contract (June 27, 1951), 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 raw 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 thereof 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 ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) 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 ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

f. 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.

g. 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.

h. 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 mining or production operations.

i. 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.

58694

Mails & Files
Surname

UNITED STATES 500
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

N.S. in R.R.

July 29, 1954

Memorandum

To: Acting Assistant Solicitor, DMEA

From: Chief, Base Metals Division

Subject: Docket No. DMEA-487, Silver Bay Mines, Contract No. Idm-E26

You have just prepared the attached Amendment No. 4 at our request. However, it has since been pointed out that this project may perhaps be terminated in the near future and, since some small ore showings have been found, it would be wise to rewrite this amendment so as to include a "pseudo-certification".

I regret not having so advised you previously.

W. R. Griswold
W. R. Griswold

WRGriswold/bjl

Copy to: Docket
Base Metals
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR 500
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

Docketed Solicitor's Office 7-13-54
Docketed JD 7-13-54
Recd. Defense Minerals 7-19-54

July 13, 1954

Memorandum

To: Acting Assistant Solicitor, DMEA

From: Chief, Base Metals Division

Subject: Docket No. DMEA 487, Silver Bay Mines, Contract No. Idm-E26

As requested in the teletype of July 8 from Mr. W. L. King, will you kindly prepare an amendment continuing the recess period till September 1, 1954.

W. R. Griswold

W. R. Griswold

File Copy
Surname

Signed
Selfridge
Hedges
Gyde
Johnson
Mittendorf

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

T E L E T Y P E WRGriswold/bjl, Rm. 4058, Ext. 3669

Base Metals Div., DMEA

XXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX

14X4401(01) Revolving Fund,
Defense Production Act, Interior (allocated
Working Fund to the Office of the Secy.)

Date: JUL 8 1954

To: W. H. King, Executive Officer, DMEA Field Team, Region IV, Denver, Colorado

Reurtt July 8, DMEA 487, Silver Bay Mines, Inc., Contract Idm-126.

We will prepare amendment for recess as requested.

George C. Selfridge
George C. Selfridge (GCS)
Chairman, Operating Committee

(written 7/9/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals (DMEA)
Mr. Bishop (USBM)
Mr. Gildersleeve (USGS)
Accounts
Chron.

R.C.G.

Mr. George Selfridge
8-54
1:10 P.m.

DEPARTMENT OF
Defense Minerals Administration
RECEIVED
JUL 8 - 1954

BUR MINES DN 235 7-8-54 10-03 AM

GEORGE C AS
GEORGE C SELFRIDGE

REFERENCE DOCKET DMEA 487, CONTRACT IDM-E26, SILVER BAY MINES, INC. OPERATOR REQUESTS AUTHORIZATION OF RECESS OF OPERATIONS FROM JUNE 24, 1954 TO ON OR BEFORE SEPTEMBER 1,1954 TO ENABLE THEM TO MAKE A SURVEY AND DETERMINE PROBABLE LOCATION OF FAULT DISPLACED VEIN. RECESS RECOMMENDED, PLEASE TELETYPE INSTRUCTIONS IN THE MATTER.

W H KING

Denver Cole

JUL 8 2 07 PM '54

BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

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

Defense Minerals Administration
MAY 10 1954

224 New Customhouse
Denver 2, Colorado

May 7, 1954

Memorandum

To: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 487 (Zinc-Lead), Contract IDM-E26, Silver Bay Mines, Inc., San Juan County, Colorado

Enclosed for your records are the original and two copies of an undated letter received in this office today from Ray Lilenquist, President, Silver Bay Mines, Inc., wherein he designates Mr. Alfred O. Brehmer of Denver, Colorado, as agent to perform certain functions under the contract.

A copy of the designation has been given to the Fiscal Officer, Region IV, and a copy retained for our files.

W. H. King

Enclosures

Defense Materials Administration
Received
1954

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Custom House
Denver, Colorado

Docket No. DMEA 487
(Zinc-lead)
Contract No. IDM-E 26

Dear Mr. King:

This is to advise you that Mr. Alfred O. Brehmer, of Denver, Colorado, is hereby designated as agent for the undersigned to perform the following functions in connection with the subject contract:

1) Prepare and sign MF 104 and MF 104a reports.

2) Prepare and sign monthly narrative reports.

3) Negotiate amendments to or modifications of the contract.

The right to authorize amendments to or modifications of the contract is reserved by the undersigned.

SILVER BAY MINES, INC.

Ray Lilenquist

Ray Lilenquist, President

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

224 New Customhouse
Denver 2, Colorado

May 5, 1954

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 487 (Zinc-Lead), Contract Idm-E26 Amended, Silver Bay Mines, Inc., San Juan County, Colorado

Enclosed are the original and two copies of Amendment No. 3 to Contract Idm-E26 Amended which has been executed in conformance with teletype from W.S. Martin, Acting Chairman, Operating Committee, dated April 26, 1954, to extend the period for recess of operations from May 1, 1954 to July 1, 1954. Also enclosed are three copies of a letter from the operator requesting the amendment.

Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W H King
W. H. King

Enclosures

RECEIVED
MAY 20 1954
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Custom House
Denver, Colorado

Docket No. DMEA 487
(Zinc-lead
Contract No. IDM-E 26

Dear Mr. King:

Reference is made to Amendment #2 to the amended contract's Item No. 1 wherein it is stipulated that work shall be resumed not later than May 1, 1954.

Because of weather conditions it will be impossible to resume work by May 1st. Therefore, it is requested that the recess period on the subject contract be extended with the provision that work be resumed on or before July 1, 1954.

SILVER BAY MINES, INC.

Ray Lilenquist

Ray Lilenquist, President

File Copy
Surname

Griswold
Hoffland
Martin
Hedges
Farraher
Simon
Westendorf

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

APR 26 1954

T E L E T Y P E

WRGriswold/bjl, Rm. 4058, Ext. 3669

Base Metal, DMEA, Interior

14X4401(01) Revolving Fund, Defense Production Act, Interior (Allocated Working Fund to the Office of the Secretary)

Date:

To: W. H. King, Executive Officer, DMEA Field Team, Region IV, Denver, Colorado

Reurtt April 22, Docket DMEA-487, Silver Bay Mines, Inc., Contract No. Idm-726. You are authorized to extend recess period to July 1, 1954, as requested.

W. S. Martin
ACTING Chairman, Operating Committee

(written 4/26/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Accounts
Mr. Bishop
Mr. Kinkel
Chron.

SENT
APR 26 1954
Clerical Sending Section

RC

C. O. Mittendorf
4-22-54
3:49 P.M.

Bureau of Mines
APR 23 1954

BUR MINES DN 235 4-22-54 1-49 PM

C O MITTENDORF

REFERENCE DOCKET DMEA-487, CONTRACT IDM-E26, SILVER BAY MINES, INC. BECAUSE OF SNOW CONDITIONS AT SITE OF PROJECT THE OPERATOR REQUESTS EXTENSION OF RECESS PERIOD FROM MAY 1,1954 TO JULY 1,1954. PLEASE TELETYPE AUTHORIZATION FOR PREPARATION OF AMENDMENT AS REQUESTED BY OPERATOR.

W H KING

Denver, Colorado.

APR 23 8 18 AM
BUREAU OF MIN.
MAIL ROOM
WASHINGTON D.

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

RECEIVED
FEB 19 1954

224 New Customhouse
Denver 2, Colorado

February 16, 1954

Memorandum

To: C.O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 487 (Zinc-Lead), Contract Idm-E26, Silver Bay Mines, Inc., Big Indian Claim, San Juan County, Colorado

Enclosed are the Government, Division, and Docket copies of Amendment No. 2 to Amended Contract Idm-E26 which was prepared in Washington and executed by you for the Government to authorize a recess of operations from November 30, 1953 to not later than May 1, 1954, extend the period for completion of the project work to October 1954, and amend article 9 of the contract form by substituting the provisions of Annex III attached to the amendment. Also enclosed are three copies of a letter from the operator dated January 25, 1954 requesting the amendment.

Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W.H. King

W.H. King

Enclosures

19 1954

SILVER BAY MINES INC.
P. O. Box 1498
Salt Lake City, Utah

January 25, 1954

Mr. W. H. King
Executive Officer, DMEA
Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Dear Mr. King:

Re: Docket DMEA 487
Contract I-DMA-E26

We acknowledge receipt of your letter dated January 12, 1954, with reference to the above matter.

We hereby request authorization for a recess of operations from the date actual operations were suspended, November 30, 1953, until they can be resumed in the spring, about May 1, 1954, and request that the completion period of the contract be extended from November 30, 1953 to provide sufficient time to complete the project work after the end of the recess period or until October 30, 1954.

Very truly yours

SILVER BAY MINES, INC.

Ray Lilenquist

Ray Lilenquist
President

RL:F

FILE COPY
SURNAME:

500

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

FEB - 5 1954

Griswold
Chapman
Selfridge
Johnson

Mr. [illegible] M. King, Executive Officer
[illegible] Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. D[illegible]-487 (Zinc-Lead)
Silver [illegible] Mines, Inc.
[illegible] Indian Claim
San Juan County, Colorado
Contract No. I[illegible]-26

Dear Mr. King:

With reference to your teletype of February 1, 1954, regarding the above project, we are enclosing the original and five copies of Amendment No. 2 to the Amended Contract. We believe it is in accord with your recommendations. Hence, if you approve, please present it to the Operator for signature and distribute the copies in the usual manner.

If it should not meet with your approval, and the proposed changes should lie beyond the scope of your delegated authority, kindly return all copies to this office with your recommendations.

Sincerely yours,

George C. Selfridge (JHB)
Chairman, Loan Term Committee

Enclosures 6

APPROVED:

J. H. Hedges
Member, Bureau of Mines (JHB)

s/Philip W. Smith
Member, Geological Survey (JHB)

WRGriswold/bjl (2/4/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Kinkel
Mr. Bishop
Chron.

R.C.G. 2-5-54

FILE COPY
SURNAME:

Jiquel
Selfridge
Mitchell

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

DMTA

WPGriswold/bjl
3669 4058

February 2, 1954

W. W. King, Executive Officer, DMTA Field Team, Region IV, Denver, Colorado

Peurtt February 1, 1954, Docket DMTA-487, Silver Bay Mines, Contract Idm-F26. We will prepare amendment for recess and extension of completion time as requested.

George C. Selfridge
Chairman, Operating Committee

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Accounts
Mr. Bishop
Mr. Kinkel
Chron.

SENT
FEB 2 1954
Clerical Service Section

R. C. J.
2-2-54

FILE COPY
SURNAME:

500

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

N.S. in R.R.

February 2, 1954

Memorandum

To: Chief Counsel

From: Chief, Base Metals Division

Subject: Docket No. DMA-487, Silver Bay Mines, Contract No. Idm-F26

Will you kindly prepare an amendment as requested in Mr. King's teletype of February 1, 1954.

/s/

W. R. Griswold

WRGriswold/bjl (2/2/54)

Copy to: Docket
Base Metals
Chron.

Mr C.O. Mittendorf
Feb. 1, 1954
11:30 AM

RECEIVED
FEB 1 1954

BUR MINES DN 235 2-1-54 9-28 AM

C O MITTENDORF

REFERENCE DOCKET DMEA 487, CONTRACT IDM-E26, AMENDED, SILVER BAY MINES, INC., OPERATOR REQUESTS AUTHORIZATION OF RECESS OF OPERATIONS EFFECTIVE NOVEMBER 30,1953 WITH WORK TO BE RESUMED ON OR BEFORE MAY 1,1954 AND EXTENSION OF PERIOD FOR COMPLETION OF WORK FROM OCTOBER 31,1953 TO OCTOBER 30,1954. AMENDMENT RECOMMENDED. PLEASE TELETYPE ADVICEIF YOU WILL REXXXX PREPARE AMENDMENT OR IF IT IS DEEMED TO BE WITHIN THE AUTHORITY DELEGATED TO THIS OFFICE.

W H KING

Denver Colo.

FEB 1 12 19 PM '54

BUREAU OF MINES
MAIL ROOM
WASHINGTON, D.C.

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

RECEIVED
JAN 22 1954

224 New Customhouse
Denver 2, Colorado

January 18, 1954

Memorandum

To: C.O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 487, (Lead-Zinc), Contract IDM-E26 Amended, Silver Bay Mines, Inc., San Juan County, Colorado

Enclosed are the Government, Division, and Docket copies of Amendment No. 1 to Contract IDM-E26 Amended which were forwarded to this office for signature by the operator by a memorandum from the Chairman of the Operating Committee dated November 9, 1953. This amendment extends the period for completion of work under the contract from October 31, 1953 to November 30, 1953. Also enclosed are three copies of a letter from the operator requesting this amendment.

Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W. H. King

Enclosures

COPY

BONITA MINING & DEVELOPMENT CO., Inc.
Box 186
Silverton, Colorado

October 19, 1953

U.S. Bureau of Mines,
224 Newcustomhouse,
Denver, Colorado.

Attention: Mr. W.H. King, Executive Officer.

Dear Sirs:

It is requested that a 20 day extention be granted on the Contract IDM-E-26, Docket No. 487 for the driving of the Blackhawk tunnel from the 31st day of October, 1953.

The reason for this request is that in driving the tunnel this month we ran into an underground water course that washed out the tunnel from the face to the portal and has made it necessary to spend almost ten days of track cleaning to get the track in order for use.

We have also been instructed by your engineer to start another place on the vein in the drift which will require a slab round and some timbering that will delay the advance for a few days.

We had expected to complete this work by the end of the month but due to the above we will require another 20 day period to do so.

Please advise us as soon as possible after the extention has been granted so that we can make our plans.

Very truly yours,

/s/ Henry P. Ehrlinger

HENRY P. EHRLINGER
Mining Engineer

HPE:m

AB

FILE COPY
SURNAME:

Talbert

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

NOV 12 1953

Mr. Donald T. Finch
DMFA Auditor
224 New Customhouse Building
Denver 2, Colorado

Re: Idn-R26, DMF-487
Silver Ray Mines, Inc.
San Juan County, Colorado

Dear Mr. Finch:

Receipt is acknowledged of your Audit Report and Audit Certificate covering the above-cited project.

The Report and Certificate are 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
November 12, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

FILE COPY
SURNAME:

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

Griswold
Talbert
Selfridge
H. J. Zumbo

NOV 9 1953

Mr. W. H. King, Executive Officer
DMA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. [illegible] 487 (Lead-Zinc)
Big Indian Claim
Silver Bay Mines, Inc.
San Juan County, Colorado
Contract No. Idm-[illegible]26

Dear Mr. King:

Referring to your letter of October 23, 1953, regarding the above docket, we are enclosing the original and 5 copies of Amendment No. 1 to the amended contract which have been signed by the Administrator.

Kindly present the amendment to the Operator for signature and distribute the copies in the usual manner.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (WRG)

Enclosures 6

WRGriswold/hmj
(11-4-53)
CC to: Docket
Adm. R. File
Op. Committee
Mr. Kinkel
Mr. Bishop
Base Metals Division
Option.

Copy to:

J. H. Hedges

Member, Bureau of Mines (WRG)

A. R. Kinkel, Jr.

Member, Geological Survey (WRG)

R.C.S.
11-9-53

FILE COPY
SURNAME:

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

N.S. in R.R.

October 30, 1953

Memorandum

To: Chief Counsel

From: Chief, Base Metals Division

Subject: Docket No. MMA 487 (Lead-Zinc)
Silver Bay Mines, Inc.
San Juan County, Colorado
Contract No. IDM-326 Amended.

The attached letter from the Field is self-explanatory.

Will you kindly prepare the necessary amendment.

W. N. Griswold

Attachment

ccts to: Docket
Base Metals
Chron.

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

224 New Customhouse
Denver 2, Colorado

October 23, 1953

Memorandum

To: C.O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket No. DMEA 487 (Lead-Zinc), Contract IDM-E26 Amended, Silver Bay Mines, Inc., San Juan County, Colorado

Contract IDM-E26 Amended expires on October 31, 1953. The operator has requested a 20 day extension in order to complete the work under this contract. The original contract was dated June 27, 1951. This amendment extends the life of the contract in excess of two years, therefore it is not within our delegated authority.

If the enclosed six copies of the proposed Amendment No. 1 to Contract IDM-E26 is satisfactory please sign all six copies and return them to this office for the signature of the operator.

John F. Shaw
For W. H. King

Enclosures

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

224 New Customhouse
Denver 2, Colorado

June 25, 1953.

Memorandum

To: Chairman of the Operating Committee

From: Executive Officer, DMEA Field Team, Region IV

Subject: Inactive DMEA Projects, Region IV

In reference to Item 6 - Silver Bay Mines, Inc., DMEA Docket 487, Idm-E26, San Juan County, Colorado - of our memorandum dated June 11, 1953, we are enclosing for your information a copy of a letter from Silver Bay Mines, Inc., dated June 17, 1953, wherein they state that they expect to resume operations within the next two days.

W. H. King

W. H. King

Enclosure

C
O
P
Y

SILVER BAY MINES, INC.
P. O. BOX 1498
SALT LAKE CITY, UTAH

June 17, 1953.

Mr. W. H. King
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Re: Docket DMEA 487
Contract Idm-E26

Dear Mr. King:

Receipt is acknowledged of your letter of June 10, 1953.

According to information received today they are ready to start operation within the next two days.

Sincerely yours,

SILVER BAY MINES, INC.

/s/ Ray Lilenquist
President

RL:f

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

DOCKET COPY

224 New Customhouse
Denver 2, Colorado

June 10, 1953

Mr. Ray Lilenquist, President
Silver Bay Mines, Inc.
P. O. Box 1498
Salt Lake City, Utah

Re: Docket DMEA 487
Contract Idm-E26

Dear Mr. Lilenquist:

Regarding resumption of work under contract Idm-E26, we will appreciate receipt of advice from you at your earliest convenience as to the probable date on which you will be able to resume operations.

Yours very truly,

W. H. King

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

JWT:ld

cc: Chairman, Operating Committee
Townsend
Wilson
Koschmann
Contract
Chron.

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 12 1953

224 New Customhouse
Denver 2, Colorado

May 8, 1953

REGISTERED

Memorandum

To: C.O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Contract Idm-E26 Amended, Docket DMEA 487, Silver Bay Mines, Inc. (Zinc-Lead)

Enclosed are the original and two copies of amended Contract Idm-E26. Copies of this contract have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W. H. King
W.H. King

Enclosures

cae 5/12/53

FILE COPY
SURNAME:
500

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

May 1, 1953

Memorandum

To: The Administrator

From: Chief, Base Metals Division

Subject: Amended contract, Silver Bay Mines, Docket No. DMA-487, Contract No. I-DMA-E26

Referring to attached teletype from Mr. King as to above amended contract in his hands — I know of no reason why it should not be released.

W. R. Griswold

WRGriswold/hmj
5/1/53
CC to: Docket
Op. Committee
Base Metals Div.
Chron.

C
O
P
Y

BUR MINES DN 235 4/30/53 10-16 AM

C. O MITTENDORF

REUR TELEPHONE CALL APRIL 20, 1953, REQUESTING WE HOLD EXPLORATION CONTRACTS INVOLVING CERTAIN COMMODITIES IN ABEYANCE. SHOULD AMENDED CONTRACT I-DMA-E26, DOCKET NUMBER DMA 487, LEAD, ZINC, SILVER BAY MINES, INC., DATED APRIL 13, 1953, SIGNED BY ADMINISTRATOR DMEA BE HELD IN ABEYANCE /Q/ PLEASE TELETYPE REPLY.

W H KING

May 1 — OK — by phone to King at Denver

SPECIAL

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

May 1, 1953

OK
handled by phone to Denver (King) 5/1/53
C. O. Mittenderf (for)

Memorandum

To: The Administrator

From: Chief, Base Metals Division

Subject: Amended contract, Silver Bay Mines, Docket No. DMA-487, Contract No. I-DMA-E26

Referring to attached teletype from Mr. King as to above amended contract in his hands -- I know of no reason why it should not be released.

W. R. Griswold

W. R. Griswold

Mr. G. O. Mittendorf
4-30-53
1:20 P.M.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 30 1953

BH

BUR MINES DN 235 4-30-53 10-16 AM

C O MITTENDORF

REUR TELEPHONE CALL APRIL 20,1953, REQUESTING WE OXXX HOLD EXPLORATION CONTRACTS INVOLVING CERTAIN COMMODITIES IN ABEYANCE. SHOULD AMENDED CONTRACT I-DMA-E26, DOCKET NUMBER DMA 487, LEAD, ZINC, SILVER BAY MINES, INC., DATED APRIL 13,1953, SIGNED BY ADMINISTRATOR DMEA BE HELD IN ABEYANCE /Q/ PLEASE TELETYPE RELXXXX REPLY.

W H KING

Denver Colo.

APR 30 12 45 PM
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D.C.

FILE COPY
SURNAME:

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

500

Original
Selfridge
Griswold

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

APR 13 1953

Re: Docket No. DMA-487 (Zinc-Lead)
Silver Bay Mines, Inc.
Black Hawk Mine
San Juan County, Colorado
Contract No. I-DMA-26

J.C. 4/13/53

This will refer to your letter dated March 13, 1953, in which you recommended an amended contract for the subject Operator. Enclosed are the original and five copies of the amended contract which we believe covers the various points you delineated in your letter.

If the amended contract meets with your approval, kindly present it to the Operator for approval and signature, and when completed, distribute it in the usual manner. In the event the amended contract is not satisfactory, return all copies with your recommendations concerning any modification.

Sincerely yours,

George C. Selfridge (WB)
Chairman, Operating Committee

Enclosures 6

WRGriswold/bjl (written 4/7/53)

APPROVED:

J. H. Hedges (WB)
Member, Bureau of Mines

A. R. Kinkel, Jr. (WB)
Member, Geological Survey

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals Div.
Mr. Bishop
Mr. Kinkel
Chron.

FILE COPY
SURNAME:

500

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

Griswold

Memorandum

To: Administrator

From: Chief, Base Metals Division

Subject: Amended contract to Docket No. [illegible]-487 (Zinc-Lead), Silver Bay Mines, Inc., Black Hawk Mine, San Juan County, Colorado, Contract No. I-DMA-26

Previous work done on the initial contract consisted essentially of 329.5 feet of crosscutting and 86.5 feet of drifting. A strong vein has been exposed which had been productive in old workings. Present drift values are low but some mineralization exists and prospects that further drifting may open up ore can be considered as moderately good. Hence, this amended contract allows for 200 feet more of drifting. A possible criticism might be that the allotted drifting may be inadequate — it cannot be considered as good practice to expend substantial funds for crosscutting without likewise doing a reasonable amount of drifting after intersection of the vein.

W. R. Griswold

W. R. Griswold

WRGriswold/bjl (written 4/7/53)

Copy to: Docket
Admr. R. File
O p. Committee
Base Metals Div.
Mr. Bishop
Mr. Kinkel
Chron.

FILE COPY
SURNAME:

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

March 23, 1953

Memorandum

To: Chief Counsel

From: Chief, Base Metals Division

Subject: Proposed amended contract, Silver Bay Mines
Docket No. DMEA 437, Contract No. I-WHA-26

The proposed amended contract is for the purpose of allowing an additional 200 feet of drifting on the Big Indian vein, at a unit cost of $45.50 per foot.

The attached contracts have been submitted by the field.

W. R. Griswold

Attachments

WRGriswold/hmj
3-23-53
CC to: Docket
Adm. R. File
Op. Committee
Base Metals Div.
WRGriswold
Chron

Case
3-19

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

224 New Customhouse
Denver 2, Colorado

WASHINGTON 25, D. C.

March 13, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
Denver

MAR 19 1953

To: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA 487X (Zinc-Lead), Contract I-DMA-E26, Silver Bay Mines, Incorporated, San Juan County, Colorado

Enclosed is the following matter pertaining to the authorization of additional funds to enable completion of the project work.

1. Three sets of data consisting of the following: (a) Request from the Operator; (b) Report by the Bureau of Mines relative to the Operator's request.

2. The original and five copies of a short form amending contract with Annex I and Exhibit "A" which have been prepared by this office.

3. Six copies of a plan map which are to be made a part of the amending contract.

The matter is forwarded for legal review prior to execution by this office. It is probable that you will desire to change or add to Annex I. Also please include the necessary recitation pertaining to the equipment purchased in the amount of $724.00.

The operator's Form MF-104 Monthly Report and Voucher for the month of October 1952 was returned for correction on December 30, 1952 and has not been resubmitted to date.

The units of work and costs as set forth under Stage I of Exhibit "A" attached to the amending contract, Form MF-200(A), are correct and allowable.

The operator has accomplished 79.5 feet of drifting on the Big Indian Vein, subsequent to the expenditure of the total funds authorized by the contract, for which reimbursement is not allowable, nor will it be claimed by the operator.

Please allocate the additional funds in the amount of $9100.00.

W. H. King

W. H. King

Enclosures

November 25, 1952
P. O. Box 1487
Salt Lake City, Utah

Mr. W. H. King, Executive Officer
Field Team, Region IV
224 New Customs House
Denver, Colorado

Dear Mr. King:

We respectfully submit this letter as our application for amendment to our Docket No. DMA Contract No. 487 X 1-DMA-E26, for additional funds to complete the exploration program under way in the Black Hawk Mine at Silverton, Colorado to contact the Ore bodies on the Big Indian Vein which is our objective under this contract.

Footage originally authorized under this contract allowed for 650 feet of drifting on Big Indian Vein and 150 feet of cross cutting to intersect this vein. On our Form MF 104 A for the month of October, copy of which is submitted herewith, you will note we had to drive our tunnel 329½ feet of cross cutting from the original point of commencement to intersect the Big Indian Vein instead of the 150 feet which was the estimate under the above contract. We have up to October 31st, drifted 118 feet on the Big Indian Vein, and at the face of the drift at this time, the mineralization across the vein, which is wider than the tunnel, was improving. Also in this vein there is a high grade streak about 26" wide containing silver, lead and zink with a trace of gold. Our Engineer feels that because of the favorable indications at the present face of the cross cut, it should not be too long until large bodies of high grade ore will be encountered in this vein.

We are submitting a request for an additional $10,000.00 fund, which is our estimate for completing this work. This is based on our driving 200 feet or more. The cost of drifting as shown on MF 104 A to date is $45.50 per foot. This cost is considerably higher than our original estimate as is also the cost of $60.00 per foot for the 329½ feet of cross cutting. The high cost of doing this work has been due to bad ground in which not only timbering was necessary, but also considerable distance of spiling. Also, heavy flow of water in the cross cut caused us delay and additional expense. It is the opinion of our engineer that firmer strata will soon be encountered and timbering will then not be necessary.

Please note on MF 104 for October, 1952 that the totals to date of expenditures amount to $22,569.45, whereas the amount authorized under our original contract was $21,500.00. We have therefore spent $1,069.45 to October 31, more than the amount authorized in our contract. We ask therefore that this

application for additional funds be given your prompt and favorable attention so that we will receive check from Defence Mineral Administration for the 50% of the October expense.

Our engineer, Mr. Walter Bentley of Denver, Colorado has been asked to furnish you with maps and other engineering data you may require to become a part of this application.

Very truly yours,

Silver Bay Mines, Inc.
Ray V. Lilenquist, President

RVL:EA

P. O. Box 1498
Salt Lake City, Utah

Mr. Walter Bentley
U. S. Metals Corporation
1031 - 15th Street
Denver, Colorado

Dear Walter:

You will note by the attached letter to Mr. W. H. King, in which application is made for additional funds under our contract with Defense Minerals Authority for driving the tunnel in the Big Indian Vein, that we have stated that you would furnish Mr. King's office with necessary maps that they require showing the progress that has been made to date in our mining operation. Refer to the last paragraph of this letter and you will note where your name is mentioned suggesting that you will furnish these maps to them direct instead of sending them to this office and our having to turn around and return them to Mr. King.

We will appreciate a letter from you advising us when this has been done.

Very truly yours

SILVER BAY MINES, INC.

Ray Lilenquist
President

RL:F

Enclosure

Copy

Form [redacted]104 (Rev.)
(April 1952)

COPY

UNITED STATES
DEPARTMENT OF THE INTER[redacted]R
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of October, 1952 Docket No. DMEA 487 X Contract No. I-DMA-E26
Operator's Name Silver Bay Mines, Inc. Minerals Lead, Zinc, Copper, Silver
Address P.O. Box 1498, Salt Lake City, Utah
Contract Amount, $ 21,500.00 Government Participation: ____% Amount, $ 10,750.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent / Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting		9,337.50	9,337.50			
Drifting	4,285.00	765.00	5,050.00			
(2) Labor and Supervision:						
Labor						
Supervision		750.00	750.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber		13.44	13.44			
Explosives		925.82	925.82			
Pipe Sept.10 1' Oct.10 1'	131.62	114.79	246.41			
Track " "	187.00	240.43	427.43			
Compressor Fuel		834.63	834.63			
Other Supplies		1,157.35	1,157.35			
(4) Operating Equipment:						
Rental		1,800.00	1,800.00			
Purchase		724.00	724.00			
~~Depreciation~~ Equip. Repairs		186.30	186.30			
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
Transportation		199.44	199.44			
Vent. Tubing		917.13	917.13			
(8) Contingencies (specify):						
TOTALS	4,603.62	17,965.83	22,569.45			

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

Date _____ *Payee Silver Bay Mines, Inc.

Per _____ Title _____

*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:

$_____

Signature _____
(Authorized Certifying Officer)

Date _____ Vou. No. _____
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

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

Signature ..... Title ..... Date .....

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature ..... Title ..... Date .....

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form [illegible]-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of October 195 2 Docket No. DMEA 487 X Contract No. I-DMA-E26
Operator's Name Silver Bay Mines, Inc. Minerals Lead-Zinc, Copper, Silver
Address P.O. Box 1498, Salt Lake City, Utah

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT	
							Units	Unit Costs
Drifting	Ft.	4,603.62	101	5,368.63	118	45.50	650	
Crosscutting	Ft.			16,476.83	329½	50.00	150	
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
								TOTAL COSTS AUTHORIZED BY CONTRACT
TOTAL DISTRIBUTED COSTS				21,845.45				
Operating Equipment Purchased				724.00				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS				22,569.45				21,500.00

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 _____ Operator Silver Bay Mines, Inc.

Per _____ Title _____

REMARKS: Ties & Rail & Pipe are included for both September and October, inasmuch as charges for these items were not included in our September voucher.

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
December 4, 1952

Memorandum

To: Executive Officer, Field Team, Region IV

From: Chief, Colorado Branch, Mining Division, Region IV

Subject: DMEA 487X, Contract I-DMA-E26 (Lead-zinc), Silver Bay Mines, Inc., San Juan County, Colorado - Request for amendment

Please find enclosed the original and five copies of Russell R. McLellan's memorandum recommending approval of the Silver Bay Mines, Inc., request for an amendment to their contract allowing $10,000.00 for additional exploration of the Big Indian vein.

I approve the recommendation.

W. M. Traver, Jr.

W. M. Traver, Jr.

WMT/cb

cc 5
E26
DMEA Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
December 4, 1952

Memorandum

To: Chief, Colorado Branch, Mining Division, Region IV

From: Russell R. McLellan

Subject: DMEA 487X, Contract I-DMA-E26 (Lead-zinc), Silver Bay Mines, Inc., San Juan County, Colorado - Request for amendment

Under exploration contract I-DMA-E26, Silver Bay Mines, Inc., encountered encouraging lead-zinc mineralization in the Big Indian vein just as the contract limit of $21,500.00 was reached in October 1952. The company now requests an amendment to the contract to provide an additional $10,000.00 for the continuation of exploration along the Big Indian vein.

As a result of poor supervision on the part of the company during the 1951 season, the length of the crosscut to the vein amounted to 329.5 feet in comparison to the estimated distance of 150 feet. Bad ground further increased the mining costs so that, by the time the objective was reached, the contract amount of $21,500.00 had been expended with only 154 feet completed of the 600 feet allowed for drifting. It is possible that the first 100 feet of drifting is on a split so that only the remaining 54 feet is actually along the Big Indian vein. This cannot be determined definitely until more drifting is accomplished. It

should be noted that, although 154 feet of drifting is reported as of November 22, 1952, the contract amount had been exceeded by $1,069.45 at the close of October 1952.

On November 22, 1952, the writer examined the 54 feet of vein definitely believed to be the Big Indian and found that mineralization increased progressively towards the face of the heading. Low-grade lead-zinc mineralization was visible in the heading across a width of 6 feet. Samples across a width of 4 feet averaged 0.015 ounce gold per ton, 2.5 ounces silver per ton, 2.4 percent lead, and 4.4 percent zinc. Without doubt the company has a very good chance of encountering an ore shoot within the next 50 feet. With this in mind, and considering the fact that the company management and engineering improved considerably during the 1952 season, it is recommended that the Government participate in the cost of additional exploration.

Although the unit costs that appear on the October form MF-104A are listed at $45.50 per foot for drifting and $50.00 for crosscutting, the actual over-all costs probably are from $5.00 to $7.00 per foot higher. During the 1951 season the over-all cost per foot amounted to $60.22, or over twice the estimated cost of $28.67 per foot. On July 3, 1952, the Government approved a subcontract between the Silver Bay Mines, Inc., and U. S. Oil and Development Corporation whereby U. S. Oil and Development Corporation would receive $40.00 per foot of regular advance or $45.00 per foot of timbered advance, and Silver Bay Mines, Inc., would furnish the necessary rails, ties, and pipe.

During the 1952 season the Government has participated only under the terms of this subcontract at the all-inclusive rate of $40.00 or $45.00 per foot of advance, excluding rail, ties, and pipe. If an amendment is approved to provide additional funds, it is recommended that participation again be granted only on the rates stipulated in the subcontract.

The applicant has requested an additional $10,000.00 to drive 200 feet of drift. The cost would average $50.00 per foot which is $4.50 per foot higher than the unit cost listed on the October form MF-104A. It is doubtful that more than half of the 200 feet would require timber, and the cost of pipe, rail, and ties for the 200 feet should not exceed $600.00; therefore, the 200 feet probably could be driven at a cost of $9,100.00. An advance of 220 feet could be made with the full $10,000.00 at the $40.00 or $45.00 cost per foot plus ties, track, and timber. The amount of $10,000.00 is recommended for approval.

Russell R. McLellan
Russell R. McLellan
Mining Engineer

RRM/cb

cc 5
E26
DMEA Chron

MF-200 (A)
(February 1952)

DOCKET DMEA 487I

COMMODITY Zinc-Lead

I-DMA-E26

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 19 1953

EXPLORATION PROJECT CONTRACT[1]
(Short Form)

IT IS AGREED this _____ 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] Silver Bay Mines, Incorporated, a Colorado corporation
1370 South 2nd West Street
Salt Lake City, Utah, hereinafter called the "Operator" as provided
in Annex I, annexed hereto, and as follows:

~~hereinafter called the Operator, as follows:~~

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of Colorado, County of San Juan, described as follows:[3] Patented Lode Mining Claim, Gladstone District, San Juan County, as follows: Work will commence in the Big Indian Claim, U.S. Survey 14325, and will be confined to that claim.

the Operator represents and undertakes:[4]

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

(*b*) ~~That the Operator is a lessee, in possession and entitled to possession, and that the property is subject only to the following claims, liens, or encumbrances as to each of which the subordination agreement of the holder is attached:~~
The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof.

ARTICLE 3. *Exploration project.*—The Operator, ~~[redacted]~~ shall continue work on a project of exploration for[5] Zinc-Lead ores in or upon the described land; and shall bring the project to completion ~~[redacted]~~ prior to October 31, 1953. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided. The work shall be performed by the Operator or by independent contractor or contractors efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmen's compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 4. *Costs of the project.*—The agreed, estimated costs of performing the additional work, expressed in terms of units of work to be performed (per foot of drifting, per foot of drilling, per cubic yard of material to be moved, etc.) are set forth in Exhibit "A," attached hereto. The Government will pay 50 percent of these agreed, estimated costs, as they accrue, for units of work actually performed that conform with the description or specifications for the work set forth in this contract, in an aggregate total amount not in excess of $4,550.00, which is 50 percent of $9,100.00, the agreed, estimated total cost of the project in which the Government will participate: *Provided,* That until the Operator's final report and final accounting have been rendered to the Government and any final check or auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract. The Government may, as it sees fit, make payments direct to the Operator's independent contractors, if any, for the account of the Operator, rather than to the Operator. See Article 9

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 9. *Changes and added provisions.* In Article 4, add the following provisions immediately preceding the word "Provided": The agreed estimated total cost of the project, as amended and supplemented by this contract, is $30,600.00. The Government will pay 50 percent of the costs of the project, as they accrue, not in excess of an aggregate total amount of $15,300.00.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

SILVER BAY MINES, INCORPORATED
(Operator)

By _____

By _____
Ray Lilenquist, President

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—66329-1

EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INCORPORATED
DOCKET NO. DMEA-487X

ANNEX I

This agreement, between Silver Bay Mines, Incorporated, and the United States of America, amends and supplements Contract I-DMA-526, Docket DMEA-487X, dated June 27, 1951, as amended prior hereto, all hereinafter called the "Original Contract" as follows:

> "Work under the Original Contract having been suspended on or about October 26, 1952, by reason of having expended the total of funds allocated thereto, and to be resumed on or about June 1, 1953, weather conditions permitting, this Amendment and Supplement to provide additional funds, to further complete the work authorized under the Original Contract, shall become effective as of said resumption of work, and shall supersede the Original Contract in all respects except that vouchers and claims for the Government's contribution to the cost of the work performed under the Original Contract, prior to the effective date of this Amendment, shall be processed and paid as provided in the Original Contract. The starting point of said resumption of work shall be established and approved by the DMEA representative, prior to resumption of work by the Operator."

EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INCORPORATED
DOCKET NO. DMEA-487X

EXHIBIT "A"

Description of the Work

The following work performed under the Original Contract is identified as Stage I:

1 - Crosscut from heading of Blackhawk tunnel to intersection of Big Indian Vein, a distance of 329.5 feet

2 - Drift northeasterly on the Big Indian Vein a distance of 86.5 feet

Stage II

1 - Continue drift northeasterly on the Big Indian Vein a distance of 200 feet from the point where work was resumed in accordance with stipulations in "ANNEX I".

Estimated Costs of the Project

Stage I

1 - Crosscutting to Big Indian Vein, 329.5 feet	$16,476.83
2 - Drifting northeasterly on Big Indian Vein, 86.5 feet	4,299.17
3 - Equipment purchases	724.00
Total Cost Stage I	$21,500.00

Stage II

1 - Drift northeasterly on Big Indian Vein, 200 feet @ $45.50 per foot, as shown on the attached map which is made a part of this Amendment	9,100.00
Total Costs Stage II	$9,100.00
Total Estimated Cost of Project	$30,600.00
Government Participation at 50 percent	$15,300.00

MF-200 (A)
(February 1952)

DOCKET NO. DMEA 487X

COMMODITY Zinc-Lead

I-DMA-E26

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
MAR 19 1953

EXPLORATION PROJECT CONTRACT[1]

(Short Form)

IT IS AGREED this _____ 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] Silver Bay Mines, Incorporated, a Colorado corporation
1370 South 2nd West Street
Salt Lake City, Utah, hereinafter called the "Operator" as provided in Annex I, annexed hereto, and as follows:

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of Colorado, County of San Juan, described as follows:[3] Patented Lode Mining Claim, Gladstone District, San Juan County, as follows: Work will commence in the Big Indian Claim, U.S. Survey 14325, and will be confined to that claim.

the Operator represents and undertakes:[4]

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

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

ARTICLE 3. *Exploration project.*—The Operator, shall continue work on a project of exploration for[5] Zinc-Lead ores in or upon the described land; and shall bring the project to completion prior to October 31, 1953. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided. The work shall be performed by the Operator or by independent contractor or contractors efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmen's compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 4. *Costs of the project.*—The agreed, estimated costs of performing the additional work, expressed in terms of units of work to be performed (per foot of drifting, per foot of drilling, per cubic yard of material to be moved, etc.) are set forth in Exhibit "A," attached hereto. The Government will pay 50 percent of these agreed, estimated costs, as they accrue, for units of work actually performed that conform with the description or specifications for the work set forth in this contract, in an aggregate total amount not in excess of $4,550.00, which is 50 percent of $9,100.00, the agreed, estimated total cost of the project in which the Government will participate: *Provided,* That until the Operator's final report and final accounting have been rendered to the Government and any final check or auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract. The Government may, as it sees fit, make payments direct to the Operator's independent contractors, if any, for the account of the Operator, rather than to the Operator. See Article 9

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 9. *Changes and added provisions* In Article 4, add the following provisions immediately preceding the word "Provided": The agreed estimated total cost of the project, as amended and supplemented by this contract, is $30,600.00. The Government will pay 50 percent of the costs of the project, as they accrue, not in excess of an aggregate total amount of $15,300.00.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

SILVER BAY MINES, INCORPORATED
(Operator)

By _____

By _____
Ray Lilenquist, President

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—66329-1

EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INCORPORATED
DOCKET NO. DMEA-487X

ANNEX I

This agreement, between Silver Bay Mines, Incorporated, and the United States of America, amends and supplements Contract I-DMA-E26, Docket DMEA-487X, dated June 27, 1951, as amended prior hereto, all hereinafter called the "Original Contract" as follows:

> "Work under the Original Contract having been suspended on or about October 26, 1952, by reason of having expended the total of funds allocated thereto, and to be resumed on or about June 1, 1953, weather conditions permitting, this Amendment and Supplement to provide additional funds, to further complete the work authorized under the Original Contract, shall become effective as of said resumption of work, and shall supersede the Original Contract in all respects except that vouchers and claims for the Government's contribution to the cost of the work performed under the Original Contract, prior to the effective date of this Amendment, shall be processed and paid as provided in the Original Contract. The starting point of said resumption of work shall be established and approved by the DMEA representative, prior to resumption of work by the Operator."

MF-200 (A)
(February 1952)

DOCKET NO. DMEA 487X

COMMODITY Zinc-Lead

I-DMA-E26

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 19 1953

EXPLORATION PROJECT CONTRACT[1]

(Short Form)

IT IS AGREED this _____ 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] Silver Bay Mines, Incorporated, a Colorado corporation
1370 South 2nd West Street
Salt Lake City, Utah, hereinafter called the "Operator" as provided in Annex I, annexed hereto, and as follows:

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of Colorado, County of San Juan, described as follows:[3] Patented Lode Mining Claim, Gladstone District, San Juan County, as follows: Work will commence in the Big Indian Claim, U.S. Survey 14325, and will be confined to that claim.

the Operator represents and undertakes:[4]

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

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

ARTICLE 3. *Exploration project.*—The Operator, shall continue work on a project of exploration for[5] Zinc-Lead ores in or upon the described land; and shall bring the project to completion prior to October 31, 1953. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided. The work shall be performed by the Operator or by independent contractor or contractors efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmen's compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 4. *Costs of the project.*—The agreed, estimated costs of performing the additional work, expressed in terms of units of work to be performed (per foot of drifting, per foot of drilling, per cubic yard of material to be moved, etc.) are set forth in Exhibit "A," attached hereto. The Government will pay 50 percent of these agreed, estimated costs, as they accrue, for units of work actually performed that conform with the description or specifications for the work set forth in this contract, in an aggregate total amount not in excess of $4,550.00, which is 50 percent of $9,100.00, the agreed, estimated total cost of the project in which the Government will participate: *Provided,* That until the Operator's final report and final accounting have been rendered to the Government and any final check or auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract. The Government may, as it sees fit, make payments direct to the Operator's independent contractors, if any, for the account of the Operator, rather than to the Operator. See Article 9

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 9. *Changes and added provisions* In Article 4, add the following provisions immediately preceding the word "Provided": The agreed estimated total cost of the project, as amended and supplemented by this contract, is $30,600.00. The Government will pay 50 percent of the costs of the project, as they accrue, not in excess of an aggregate total amount of $15,300.00.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____

SILVER BAY MINES, INCORPORATED
(Operator)

By _____
Ray Lilenquist, President

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—66329-1

EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INCORPORATED
DOCKET NO. DMEA-487X

ANNEX I

This agreement, between Silver Bay Mines, Incorporated, and the United States of America, amends and supplements Contract I-DMA-E26, Docket DMEA-487X, dated June 27, 1951, as amended prior hereto, all hereinafter called the "Original Contract" as follows:

> "Work under the Original Contract having been suspended on or about October 26, 1952, by reason of having expended the total of funds allocated thereto, and to be resumed on or about June 1, 1953, weather conditions permitting, this Amendment and Supplement to provide additional funds, to further complete the work authorized under the Original Contract, shall become effective as of said resumption of work, and shall supersede the Original Contract in all respects except that vouchers and claims for the Government's contribution to the cost of the work performed under the Original Contract, prior to the effective date of this Amendment, shall be processed and paid as provided in the Original Contract. The starting point of said resumption of work shall be established and approved by the DMEA representative, prior to resumption of work by the Operator."

EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INCORPORATED
DOCKET NO. DMEA-487X

EXHIBIT "A"

Description of the Work

The following work performed under the Original Contract is identified as Stage I:

1 - Crosscut from heading of Blackhawk tunnel to intersection of Big Indian Vein, a distance of 329.5 feet

2 - Drift northeasterly on the Big Indian Vein a distance of 86.5 feet

Stage II

1 - Continue drift northeasterly on the Big Indian Vein a distance of 200 feet from the point where work was resumed in accordance with stipulations in "ANNEX I".

Estimated Costs of the Project

Stage I

1 - Crosscutting to Big Indian Vein, 329.5 feet	$16,476.83
2 - Drifting northeasterly on Big Indian Vein, 86.5 feet	4,299.17
3 - Equipment purchases	724.00
Total Cost Stage I	$21,500.00

Stage II

1 - Drift northeasterly on Big Indian Vein, 200 feet @ $45.50 per foot, as shown on the attached map which is made a part of this Amendment	9,100.00
Total Costs Stage II	$9,100.00
Total Estimated Cost of Project	$30,600.00
Government Participation at 50 percent	$15,300.00

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 12 1952

224 New Customhouse
Denver 2, Colorado

December 9, 1952

Memorandum

To: Frank E. Johnson, Chairman, Operating Commi
Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket No. DMA - 487 (Zinc-Lead), Contract No. I-DMA-E26, Silver Bay Mines Company

Enclosed is a copy of a map of the Black Hawk Mine showing progress made under contract I-DMA-E26. This is the map referred to in our memorandum, dated December 1, 1952, which was written in reply to your letter, dated November 12, 1952.

W. H. King
W. H. King

Enclosure

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

224 New Customhouse
Denver 2, Colorado

August 31, 1954

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 487 (Lead-Zinc), Contract Idm-E26 Amended, Silver Bay Mines Inc., Big Indian Claim, San Juan County, Colorado

Enclosed are the Government, Division, and Docket copies of Amendment No. 4 to Contract Idm-E26 Amended, which was prepared in Washington and signed by the Administrator, DMEA, for the Government, and was forwarded to this office for signature by the operator by your letter of August 11, 1954. Also enclosed are three copies of a letter dated July 9, 1954 from the operator's agent requesting the amendment.

Copies of the amendment have been given to the operator, the Finance Office, Region IV, and a copy has been retained for our files.

In reference to resumption of work September 1, 1954 as stipulated in Amendment No. 4, we have been informed verbally by the operator's agent that they will request an additional extension of the period of recess of operations and an extension of the period for completion of the project work to sometime late in the year 1955 to permit the company to perform drifting operations at company expense, in order to obtain additional information which would have a bearing on further work to be performed under the DMEA contract.

When the operator's request and other relevant data are received the matter will be forwarded to you for your consideration and appropriate action.

W H King

W. H. King

Enclosures

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 4 1952

224 New Customhouse
Denver 2, Colorado

December 1, 1952

Betty

Memorandum

To: Frank E. Johnson, Chairman, Operating Committee
Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket No. DMA - 487 (Zinc-Lead), Contract No. I-DMA-E26,
Silver Bay Mines Company

Reference is made to your letter, dated November 12, 1952, regarding the evaluation of the program under contract I-DMA-E26. As of November 19, 1952 the operator has drifted 154 feet on the vein. Values have been increasing ever since they have cut the vein and they now have mill ore 2 feet wide.

The operator's engineer is preparing a new map which will bring this project up to date. Copies of this map will be sent to you when they have been received.

W. H. King

W. H. King

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 21 1952

224 New Customhouse
Denver 2, Colorado

November 18, 1952

Memorandum

To: Secretary to the Operating Committee

From: Executive Officer, Field Team, Region IV

Subject: Form MF-104, DMA Docket 487X, Contract I-DMA-E26 (Lead-Zinc), Silver Bay Mines, Inc., San Juan County, Colorado

Enclosed are two copies of the Operator's Monthly Progress Report Form MF-104 and MF-104A, Operator's Narrative Report, Inspecting Engineer's Narrative Report, and other supporting data for the month of September 1952 pertaining to DMA Docket 487X, Contract I-DMA-E26, Silver Bay Mines, Inc.

W. H. King

W. H. King

Enclosures

FILE COPY
SURNAME:

500

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

NOV 12 1952

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-487 (Zinc-Lead)
Contract No. I-DMA-426
Silver Bay Mines Company

Dear Mr. King:

In regard to the above exploration contract we note in the report for July and August that a survey of the mine has been completed and the work resumed.

The advisability of continuing the Blackhawk crosscut, questioned in our letter of April 21, was predicated on the results of a survey of the Big Indian vein to be completed before the resumption of work.

Obviously, the survey indicated the vein would be intersected some distance to the north or east of the face of the crosscut as of last fall, but apparently the Big Indian vein has not been reached, though other mineralization has been encountered.

In order for us to evaluate the program and the results obtained at this stage of the work, will you kindly send a copy of the map which contains the data upon which the decision to resume work in the crosscut was based.

Sincerely yours,

Frank E. Johnson (WB)

Chairman, Operating Committee

FXCorbett/bjl (written 11/10/52)

APPROVED:

W. H. Hedges (WB)
Member, Bureau of Mines

E. L. McKnight (WB)
Member, Geological Survey

copy to: Docket
Admr. R. File
Op. Committee
Mr. Keller (2)
F. X. Corbett
Mr. Bishop
Mr. McKnight
Chron.

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

3

224 New Customhouse
Denver 2, Colorado

August 29, 1952

Memorandum

To: Acting Administrator, Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Amendment No. 1 - Contract I-DMA-E26 (Lead-Zinc), Docket No. DMA-487X, Silver Bay Mines, Inc.

Amendment No. 1 to contract I-DMA-E26 was prepared to correct an error in Exhibit D of the contract.

In Exhibit A of this contract supervision was listed in the amount of $1,250.00. In Exhibit D the same item was given as $750.00. The total amount of the contract is $21,500.00. When the figure $1,250.00 is used for supervision, the total amount of the various items in the summary added up to $21,500.00. Therefore this figure was assumed to be correct and the figure of $750.00 was assumed to be an error and was corrected.

W. H. King

W. H. King

~~Enclosure~~

LARGE FORMAT DOCUMENTS AT END OF FILE

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG 11 1952

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

224 New Customhouse
Denver 2, Colorado

August 7, 1952

Memorandum

To: Frank E. Johnson, Chairman, Operating Committee
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Docket DMA 487, Contract I-DMA-E26, Silver Bay Mines, Inc. (Lead-Zinc)

This is in reply to your letter dated August 4, 1952, in which you criticize the subcontract between the Silver Bay Mines, Inc. and U. S. Oil and Development Corporation. This subcontract was approved by our attorney. It states that U. S. Oil and Development Corporation is to receive $40.00 per foot for driving the drift except where timber is necessary, in which event they are to receive $45.00 per foot and to furnish the timber for such work.

The third paragraph states that the Silver Bay Mines, Inc. is to furnish in addition to the above, which means $40.00 or $45.00 per foot as the case may be, the necessary rails, ties and pipe. The legal interpretation of this contract is that U. S. Oil and Development Corporation agrees to drive the drift and that the $40.00 or $45.00 per foot is all-inclusive except for rail, ties and pipe. Under this subcontract the cost of the work will be considerably less than formerly. The operator will furnish equipment at no cost to the Government. The supplies will be furnished by the subcontractor except for rail, ties and pipe, as stated above.

W. H. King

W. H. King

FILE COPY
SURNAME:

500

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

AUG 4 1952

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-487 (Lead-Zinc)
Silver Bay Mines, Inc.
San Juan County, Colorado

Dear Mr. King:

We have your memorandum of July 14, 1952, to C. O. Mittendorf, in which were enclosed copies of an approved subcontract between the Operator and the U. S. Oil and Development Corporation.

The subcontract executed between the Silver Bay Mines, Inc. and the U. S. Oil and Development Corporation appears to have been written very poorly. It does not state clearly all the obligations of either party of the contract and in fact leaves in doubt many of the essential points of such a contract.

The cost of $40.00 or $45.00 (Timbered) per foot is considerably higher than was estimated for the cost of drifting and appears out of line with the actual labor cost per foot to date. The subcontract does not state exactly what costs will be covered by the contractor, but from the data available to this office, it appears that the $40.00 or $45.00 (Timbered) covers only the cost of labor, explosives and timber, whereas the Operator will continue to furnish all other supplies and equipment, which alone accounted previously for more than half the cost of drifting.

At the new contracted price and because of high previous costs, the Operator will be unable to complete the proposed work with the allotted funds.

Sincerely yours,

(signed) FRANK E. JOHNSON

Chairman, Operating Committee

HFKeller/mb
July 30, 1952
cc to: Docket
Adm Reading File
Operating Comm.
Mr. Keller (2)
Mr. Bishop
Mr. McKnight
Region IV
Chron

APPROVED:

J. H. Hedges
Member, Bureau of Mines

Member, Geological Survey

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20
Denver Federal Center
Denver 14, Colorado

July 21, 1952

Memorandum

To: Chief, Colorado Branch, Mining Division, Region IV

From: S. W. Hazen, Jr.

Subject: DMA 487 (Lead-zinc), Contract I-DMA-E26, Silver Bay Mines, Inc., San Juan County, Colorado

On July 16 I accompanied Mr. Walter Bentley, consulting engineer-geologist for the U. S. Oil and Development Corporation, to the Black Hawk mine of the Silver Bay Mines, Inc. The U. S. Oil and Development Corporation, as per subcontract with Silver Bay Mines, Inc., has a crew of miners rehabilitating the portal and track on the dump. They have installed ventilation equipment and canvas vent tubing to the breast. They are erecting a small building at the portal for use as a change house.

All of this work is being done by authorization of the Silver Bay Mines, Inc., and the Government contract is not involved. The miners expect to start drifting by July 21. The man in charge of the miners, Bentley, and myself, set up points or lines for starting the new direction of the crosscut from the breast of the old working.

S W Hazen
S. W. Hazen, Jr.

SWH/bam

cc: WHKing-2
General
Chron.

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

224 New Customhouse
Denver 2, Colorado

July 14, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Approval of Subcontract, Contract I-DMA-E26, Docket DMA 487X, Silver Bay Mines, Inc. (Lead-Zinc)

Enclosed are the original and two copies of a subcontract between Silver Bay Mines and U. S. Oil and Development Corporation. Also enclosed are the original and two copies of our approval of this subcontract. Copies have been distributed to the Operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W. H. King

W. H. King

Enclosures

JFS:ld

cc: Contract, chron.
Koschmann

Contract I-DMA-E26
Docket DMA 487X

APPROVAL OF SUBCONTRACT

DOCKET COPY

Silver Bay Mines, Incorporated

That certain contract, five copies of which you have submitted with your request for approval dated June 9, 1952, between you and U. S. Oil and Development Corporation for performance of the following work: To continue driving the drift in the Blackhawk Mine to contact the Big Indian vein, which is all of or a specific element of the work described in an Exploration Project Contract dated June 27, 1951, I-DMA-E26, Docket DMA 487X, is hereby approved subject to the following terms and conditions:

1. The Government shall not be nor be considered to be a party to said independent contract, and the Government's right to terminate the exploration project contract under any of its provisions shall not in any manner be affected by reason of said independent contract.

2. Regardless of the provisions of said independent contract, the Government will participate in the payments to the independent contractor only on account of work actually performed and that conforms with the provisions of the 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 and necessary.

3. The said independent contract shall not have the effect of increasing the estimated total cost of the exploration project contract or the maximum amount which the Government will pay as provided in the exploration project contract.

4. The mine rail shall not exceed 20 pounds per yard in weight. The compressed air pipe shall not exceed 2 inches in diameter. The water pipe shall not exceed 1 inch in diameter.

Dated: July 3, 1952.

THE UNITED STATES OF AMERICA

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

June 9, 1942

Mr. J. E. East, Jr. Executive Officer
Gold Team, Region XV
WPA Ben Custom House
Denver, Colorado

Dear Mr. East:

This is to advise you that we hereby agree with the Silver Bay Mines Inc., a Utah corporation with offices in Salt Lake City, Utah, to continue the driving of the drift in the Blackhawk mine to contact the Big Indian vein as provided in their contract WPA-4971, contract number I-WPA-Z-20.

We are to receive $40.00 a foot for driving the drift except where timber is necessary in which event we are to receive $45.00 per foot and we furnish the timber for such work.

The Silver Bay Mines Inc., are to furnish in addition to the above the necessary rail ties and pipe.

Further, after also having discussed this with the WPA representative he advises us that they will not permit any further extension of the drift until a survey is made both on the surface and underground to determine the shortest point to throw a contract will be made with the Big Indian vein from the present workings. This survey has already been arranged by the Silver Bay Mines Inc, and will be taken care of just as soon as the snow is off the ground.

Very truly yours,

U.S. OFFICE OF EMERGENCY MANAGEMENT

By Carl S. Peterson
Carl S. Peterson, Secretary

CSP:w

Approved:

SILVER BAY MINES INC.,

By Ray Lilenquist
Ray Lilenquist

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

224 New Customhouse
Denver 2, Colorado

July 14, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Approval of Subcontract, Contract I-DMA-E26, Docket DMA 487X, Silver Bay Mines, Inc. (Lead-Zinc)

Enclosed are the original and two copies of a subcontract between Silver Bay Mines and U. S. Oil and Development Corporation. Also enclosed are the original and two copies of our approval of this subcontract. Copies have been distributed to the Operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W. H. King

W. H. King

Enclosures

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

224 New Customhouse
Denver 2, Colorado

June 23, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Amendment to Contract I-DMA-E26, Docket DMA 487X, Silver Bay Mines, Inc. (Lead-Zinc)

Enclosed are the original and two copies of Amendment No. 2 to Contract I-DMA-E26. Copies of this amendment have been given to the Operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W. H. King
W. H. King

Enclosures

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 27 1951

SES 6-27-51

FILE COPY
SURNAME:

Mmld.

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

MAY 9 1952

Mr. J. H. East, Jr.,
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-487
Silver Bay Mines Company
Exploration Project Contract No. Idm-E26

Dear Mr. East:

This will acknowledge receipt of your memorandum of April 24, 1952, concerning the subject contract.

We note that the crosscutting to the Big Indian vein failed to intersect this vein at depth; although some stringers of mineralization were cut. It is also noted that you do not believe that these stringers represent a part of the Big Indian vein because a Brunton survey indicated that the crosscut was not being driven at right angles to this vein. We concur with your decision to have the operator make an accurate survey before resuming work on the project in the spring.

The foregoing points out the need for the Washington office to be kept informed concerning projects, and the necessity for forwarding the Operator's Report, MF-104, to this office regularly, as well as reports of the Field Engineers when they visit operating projects. We should be furnished the facts in each case so that there will be no misunderstanding.

Sincerely yours,

(signed) FRANK E. JOHNSON

(HB)

Chairman, Operating Committee
Defense Minerals Exploration
Administration

APPROVED:

J. H. Hedges (HB)

Member, Bureau of Mines

D. M. Lemmon (HB)

Member, Geological Survey

FEJohnson/bih 5/1/52

cc to: Docket
Admr's. File
Region IV
Operating Committee

Messrs. Lemon GSA
Hedges BM
Moulds
FEJohnson

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

224 New Customhouse
Denver 2, Colorado

April 24, 1952

Memorandum

To: Frank E. Johnson, Chairman of the Operating Committee

From: Executive Officer, Field Team, Region IV

Subject: Silver Bay Mines Company, DMA Docket 487, Contract I-DMA-E26

This is in reply to your letter dated April 21, 1952 regarding the advisability of considering further work on this project. The Exploration Project Contract provided for 150 feet of crosscutting to cut the Big Indian Vein and 300 feet of drifting each way on the Big Indian Vein, a total distance of 600 feet. The crosscut had been advanced 149 feet before the mine was shut down, due to severe winter conditions. Some stringers were cut, but it is not believed that the Big Indian Vein was cut. If this project had merit at the time it was granted, it still has merit. The operation suffered from unexperienced supervision and as a result, the costs have been excessive. A Brunton survey by the Bureau engineer indicated that the crosscut was not being driven at right angles to the vein. Therefore, the total length of the crosscut will be increased. We have notified the operator that an accurate survey should be submitted to this office before work is resumed in the spring.

The Silver Bay Mines and the U. S. Oil and Development Corp. have submitted an agreement whereby the U. S. Oil and Development Corp. will drive the crosscut to the vein intersection and drive on the vein on a contract basis. Some of the terms of this contract are not satisfactory, and we are attempting to arrive at a contract which will be satisfactory to the operator, the U. S. Oil and Development Corp. and to the Government. If the work can be done on a contract basis, we believe that work should be resumed on this project in the spring.

W. H. King

W. H. King for
J. H. East, Jr.

500
FILE COPY
SURNAME:

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

Fx Corbett
Moulds

APR 21 1952

Mr. J. H. East, Jr.
Executive Officer, Region IV
DMEA Field Team
224 New Customhouse
Denver 2, Colorado

Re: Silver Bay Mines Co.
Docket No. 487
Idm-E26 (Lead-Zinc)

Dear Mr. East:

We have reviewed the progress report and other data relative to the Silver Bay Mines Co., Exploration Contract (Docket #487, Idm-E26), and from the information at hand it seems very doubtful that this project can be brought to fruition.

The Blackhawk crosscut has been advanced 159' under the contract to date without cutting ore. However, mineralization characteristic of the vein material on the surface, quartz and rhodonite with very minor amounts of sphalerite. was found at the point anticipated, considering the known dip and strike of the vein. For the vein to lie some distance ahead of the present face of the adit, which is 59' beyond the normal intersection, would necessitate a flattening of the dip to an unusual degree.

We would appreciate your considering further work on this project in the light of the thoughts expressed above.

Sincerely yours,

(signed) FRANK E. JOHNSON

Chairman, Operating Committee
Defense Minerals Exploration
Division

APPROVED:

J. H. Hedges
Member, Bureau of Mines

T. P. Thayer
Member, Geological Survey

FXCorbett/hmj
4-18-52
CC to: Adm. Reading File
Operating Committee
Docket File Copy
Mr. Bishop
Mr. MCKnight
Region IV
Mr. Corbett
Mr. Moulds

Docket

500 FILE COPY
SURNAME:

Corbett
Moulds

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

April 15, 1952

Memorandum

To: C. O. Mittendorf

From: Base Metals Division

N.S
R+R

Subject: Silver Bay Mines, Docket No. 487, Idm-E-26.

The Silver Bay Mines Company started work under the terms of their Exploration Contract on June 25, 1951. The work was terminated for the winter on October 5; the Blackhawk crosscut adit having been advanced 159' during this period. The crosscut would have cut the vein at about the point reached on August 27, 100' from the starting point if the dip, and strike are the same at depth as at the outcrop.

Mineralization, characteristic of the vein material on the surface, quartz and rhondonite with very minor amounts of sphalerite, was found at the 100' point but it was not considered to be the Big Indian vein by those who examined it.

It is planned to resume driving the crosscut in the same direction when conditions permit.

The following is a summary of the costs of the project to date:

Period	Wages	Supplies	Contract	Rental	Purchase	Total	Unit	Unit Cost
6/25-7/27	$400.00	$626.41	$700.00	$600.00	$ 200.00	$2526.41	56'	$45.11
7/28-8/27	400.00	1425.46	512.00	600.00	204.00	3291.96	41'	80.29
8/28-9/27	400.00	1295.34	650.00	600.00		2945.34	52'	56.64
9/27-10/5		358.35		No footage reported.				

These costs are higher than were anticipated as is often the case in high altitude operations. Compressor trouble seems to have been the main reason for loss of footage. This appears to have been corrected.

D. E. Moulds (mdh)

D. E. Moulds

FXCorbett/hmj
4-15-52
CC to: Adm. Reading File
Docket File Copy
Mr. Moulds
Mr. Corbett

FILE COPY
SURNAME: 410

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

FEJohnson
Mittendorf

SEP 25 1951

a, E. C.

Contract Services Section
General Accounting Office
4th Floor - New GAO Building
Washington 25, D. C.

Re: Docket No. DMA - 487
Silver Bay Mines, Inc.
Exploration Project Contract I-DMA-E26

Gentlemen:

Enclosed for recording in your office and attachment to the original contract is the original of an Amendment, dated August 24, 1951, to the captioned Exploration Project Contract.

C. O. Mittendorf (O. K.)

C. O. Mittendorf

Enclosure

FEJohnson/meb
9/21/51
cc to: Admr's Reading Files
Reports & Records
Messrs.Mittendorf/Olund
FEJohnson
Docket

FILE COPY
SURNAME:
410

Mr. Mittendorf

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

September 21, 1951

Memorandum

TO: Reports and Records Section

FROM: Production Expansion Division

SUBJECT: Docket No. DMA 487
Silver Bay Mines, Incorporated
Exploration Project Contract
I-DMA-E26

Enclosed is an original of a letter dated September 11, 1951, from Mr. J. H. East, Jr., Executive Officer, Region IV, transmitting an Amendment, which is also enclosed, to the captioned Exploration Contract. Please attach the Amendment to your copy of the contract.

C. O. Mittendorf cc 9-25

C. O. Mittendorf

Enclosures

FEJohnson/meb
cc to: Admr's Reading Files
Reports & Records
Messrs.Mittendorf/Olund
FEJohnson
Docket

FILE COPY
SURNAME:

410

Mittendorf

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

September 21, 1951

Memorandum

TO: Chief, Finance Section

FROM: Production Expansion Division

SUBJECT: Docket No. DMA - 487
Silver Bay Mines, Inc.
Exploration Project Contract I-DMA-E26

Attached for your information is a copy of a letter, dated September 11, 1951, from J. H. East, Jr., Executive Officer, Region IV, transmitting an amendment to the subject contract.

You will note that Mr. East states that he has sent a copy of the Amendment to the Fiscal Office.

C. O. Mittendorf (A.W.)

C. O. Mittendorf no stuffed R+R

Enclosures

FEJohnson/meb
cc to: Admr's Reading Files
Reports & Records
Messrs.Mittendorf/Olund
Johnson
Docket

a.E.C.

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

224 New Customhouse
Denver 2, Colorado

September 11, 1951

Memorandum

To: C. O. Mittendorf, Director, Production Expansion Division
Defense Minerals Administration

From: Executive Officer, DMA Field Team, Region IV

Subject: Amendment to Contract I-DMA-E26, DMA Docket 487X, Silver Bay Mines, Incorporated, Salt Lake City, Utah

Enclosed herewith are the original and two copies of Amendment to Contract I-DMA-E26, DMA Docket 487X, Silver Bay Mines, Inc., which have been signed by Ray Lilenquist, President.

One copy of the above amendment has been retained in this office, one has been retained by the operator and one copy has been sent to the Fiscal Office.

J. H. East, Jr.

J. H. East, Jr.

Enclosures

DEFENSE MINERALS
ADMINISTRATION
WASHINGTON, D.C.
SEP 14 9 49 AM '51

FILE COPY
SURNAME:

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

AUG 27 1951

Silver Bay Mines, Incorporated
1370 South 2nd West Street
Salt Lake City, Utah

Re: Docket No. DMA 487X
Silver Bay Mines, Incorporated
Amendment to
Exploration Project Contract I-DMA-E26

Gentlemen:

We are attaching the original and five copies of the requested amendment to the above subject contract. If the terms of this amendment have your approval, please have a duly authorized official of your company sign it where indicated, retain one copy, and return the original and four copies to this office. If the terms of this amendment do not have your approval, kindly return it to this office with your requested changes for consideration.

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division

Enclosures-6

FLKnouse/bjs
cc to: Adm. Reading File
Reports & Records
Mr. Mittendorf, Mr. Olund
Mr. Knouse
Region IV (2)
Mr. Billings
Mr. McKnight
Docket

FILE COPY
SURNAME:
140
Guthrie
Liebert

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

August 22, 1951

a.E.C.

Memorandum

To: Director, Production Expansion Division

From: Acting General Counsel

Subject: Silver Bay Mines, Incorporated - Docket No. DMA-487

In response to the request of your memo of August 16, 1951 on this subject, we enclose a draft of an amendment covering the desired change in Exhibit "D" of the exploration contract in this case. You will notice that the total cost of the project and the amount of the Government participation therein have not been changed.

J. L. Hofflund

John G. Liebert, Acting for
J. L. Hofflund, General Counsel

Attachment

RRGuthrie/ema

Copy to: Reports & Record Unit
R. R. Guthrie
J. L. Hofflund
Chron.

A M E N D M E N T

It is agreed this ____ day of _____, 1951 between the United States of America, acting through the Department of the Interior, Defense Minerals Administration and the Silver Bay Mines, Incorporated, a corporation organized and existing under the laws of the State of _____ and having its principal place of business at 1370 South 2nd West Street, Salt Lake City, Utah, each acting in consideration of the agreement of the other to the terms hereinafter set forth, that the Exploration Project Contract, DMA-487X of June 27, 1951 between the parties hereto, be modified and amended as follows, effective as of said date of said Exploration Project Contract:

1. In Exhibit "D" under the heading "Supervision," delete the parenthetical provision, "(pro rata time to exploration)."

2. In Exhibit "D" under the heading "Supervision," delete the figures "$150.00" and "$750.00" and substitute "$250.00 and $1,250.00" respectively.

Executed in sextuplicate the day and year first above written.

_____ _____

FILE COPY 410
SURNAME:

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

F. Johnson
Mittendorf

August 16, 1951

a.e.c.

Memorandum

TO: Mr. John L. Hofflund
General Counsel

FROM: C. O. Mittendorf, Director
Production Expansion Division

SUBJECT: Docket No. DMA - 487
Silver Bay Mines, Incorporated
Exploration Project Contract Idm-E26

Attached is a copy of message we have received from J. H. East, Jr., Executive Officer, Region IV, advising that he concurs in Operator's request for approval of change in Exhibit "D" of: "1 foreman for 5 months ($150.00 per month pro-rata time to exploration) - $750.00", to: "1 foreman for 5 months ($250.00 per month - $1250.00."

Originally the foreman was to have worked part time on the Exploration Project and part time for the Operator's account in other sections of the mining property. However, the other work has been postponed so that all of foreman's time will now be charged to the Exploration Project.

Please prepare amendment to the contract incorporating the above-mentioned change.

(F.E.J.)
C. O. Mittendorf ~~(C.O.M.)~~
C. O. Mittendorf

Attachment

FEJohnson/meb
cc to: Admr's Reading File
Reports & Records
Mittendorf - Olund
Billingsley
Lyon
F.E.Johnson
Docket

LANDON F. STROBEL

Mr. Mittendorf

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION IV

OFFICE OF
REGIONAL DIRECTOR

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

July 12, 1951

Memorandum

To: C. O. Mittendorf

From: J. H. East, Jr., Regional Director, Region IV

Subject: Docket No. DMA 487, Silver Bay Mines, Inc., your letter dated June 29, 1951.

C. V. Lilenquist, manager of the Silver Bay Mines, Inc. was contacted by telephone regarding a labor contract for driving the drill. He informed us that neither a written or verbal contract had been entered into with any individual to drive the tunnel for the $12.50 per foot shown in the contract. However, he stated that this was the common practice and present rate charged by miners in the Silverton area, and it is presumed that he can enter a contract at the price indicated. To our knowledge, this is a correct statement of conditions at Silverton.

J. H. East, Jr.

DMA-487

File
No reply nec
7/18/51

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 17 1951
LANDON F. STROBEL
Executive Secretary

B

BUREAU OF MINES
WASHINGTON, D. C.
JUL 16 4 00 PM '51

FILE COPY
SURNAME:

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

June 29, 1951

Mr. Frank McAtee, Jr.,
Contract Service Section
General Accounting Office
4th Floor - New GAO Building
Washington 25, D. C.

Re: Docket No. DMA-487
Silver Bay Mines, Inc.
Exploration Project
Contract No. I-DMA-E26

Dear Mr. McAtee:

Enclosed for recording in your office is the original signed copy of an Exploration Project Contract between the Operator named in the above reference and the Government of the United States.

Sincerely yours,

LANDON F. STROBEL

Landon F. Strobel
Executive Secretary

Enclosure

FEJohnson/bih
cc to: Messrs. Admr's. Reading File
Strobel
Mittendorf-Olund
Herres
McKnight
J. H. East, Region IV (2)
FEJohnson
F I L E S

FILE COPY
SURNAME:

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

Mailed
JUN 29 1951

AIR MAIL

not stripped in R. R.

Mr. J. H. East, Jr.,
Executive Officer
DMA Field Team - Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA 487
Silver Bay Mines, Inc.
Exploration Project Contract

Dear Mr. East:

Reference is made to memorandum dated June 25, 1951, signed by F. T. Allsman concerning the captioned project and enclosing six photostats of creditors statements indicating labor claims paid in full and six copies of the manager's statement certifying to receipt of payment.

There are enclosed three copies of executed Exploration Project Contract No. I-DMA-E26, dated June 27, 1951, with attached Exhibits "A" to "E", inclusive, creditors' statement, manager's affidavit and map, all relating to the captioned project. The instruments signed by the creditors and the manager appear to be in order and it will not be necessary to obtain subordination agreements since these papers will be attached to and become part of the contract.

However, it will be necessary to obtain two copies of the labor contract if it is a written contract, before disbursement of funds can be made. You should obtain two copies of the labor contract. If it appears to be in order, forward one copy to my office with your comments. The other copy is for your files. If there is no written contract please furnish a statement to that effect.

On receipt of the copies of the labor contract or statement that the contract is verbal, if satisfactory to you, please furnish one copy of the complete contract with all attachments to the Operator. This is his authority to proceed with the project. One complete copy of the contract with all attachments should be given to the Finance Office, Bureau of Mines, for your Region. The third copy of the contract and attachments are for your files.

The Operator should be required to notify you when he intends to start work on the project so you can make arrangements for a member of the Field Team to visit the project at that time or shortly thereafter.

If you have any questions regarding the foregoing, please do not hesitate to call upon me.

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division

Attachments

APPROVED:

Tom Lyon
Chairman, Coordinating Committee

Lowell B. Moon
Member, Bureau of Mines

Joe Knight
Member, Geological Survey

FEJohnson/bih
cc to: Messrs. Mittendorf-Olund
Strobel
Lyon
Rowe
Moon
FEJohnson
F I L E S

FILE COPY
SURNAME:

Guthrie

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

June 26, 1951

Memorandum

To: C. O. Mittendorf

From: J. L. Hofflund

Subject: Silver Bay Mines, Inc. exploration contract — Docket No. DMA-487X

This office has reviewed the contract in the above-styled case and finds it in satisfactory for execution subject to:

1. The obtaining of satisfactory subordination agreements.

2. The approval by the Government, as provided in paragraph 4 of the exploration contract, of the subcontract under which the labor is to be supplied.

At the time of execution the effective date should be inserted in the contract.

Your file on the case is returned herewith.

J. L. Hofflund
J. L. Hofflund
General Counsel

Attachments

R.R.Guthrie/ema

Copy to: L. F. Strobel
R. R. Guthrie
J. L. Hofflund
Chron.
Files

June 18, 1951

Dma - 487X

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

224 New Customhouse
Denver, Colorado

June 25, 1951

Memorandum

To: L. B. Moon

Attention: J. H. East, Jr.
Regional Director, Region IV
(in Washington)

From: DMA Field Team, Region IV

Subject: DMA 487, Silver Bay Mines, Inc.

Herewith is enclosed six copies of a statement by C. V. Lilenquist, manager of the Silver Bay Mines indicating all labor leins against the company have been liquidated. Also enclosed are photostatic copies from the creditors indicating payment in full of the claim.

The signed contracts were submitted to C. O. Mittendorf on June 18.

It appears that subordination agreements are not needed and the contract should be ready for final signature of the Administrator.

P. T. Allsman, Alternate

A. H. Koschmann

Enclosures

OFFICE OF THE ADMINISTRATOR

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

June 26, 1951

Memorandum

To: C. O. Mittendorf

From: J. L. Hofflund

Subject: Silver Bay Mines, Inc. exploration contract -- Docket No. DMA-487X

This office has reviewed the contract in the above-styled case and finds it in satisfactory for execution subject to:

1. The obtaining of satisfactory subordination agreements.

2. The approval by the Government, as provided in paragraph 4 of the exploration contract, of the subcontract under which the labor is to be supplied.

At the time of execution the effective date should be inserted in the contract.

Your file on the case is returned herewith.

J. L. Hofflund
General Counsel

Attachments

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION IV

OFFICE OF
REGIONAL DIRECTOR

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

June 18, 1951

Air Mail

Defense Minerals Administration
Interior Building
Washington 25, D. C.

Attn: C. O. Mittendorf, Director
Production and Expense Division

Dear Sir:

We are forwarding you six signed copies of Form MF-200 for Docket No. DMA-487, Silver Bay Mines, Inc., which you forwarded to us for signature under date of June 7.

The Subordination Agreements which you forwarded have not all been signed since it is necessary to contact each laborer mentioned in the labor lien. The Subordination Agreement will be forwarded to you as soon as it is received in this office.

Yours very truly,

J. H. East, Jr.
Regional Director, Reg. IV

Enclosures

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 20 1951
LANDON F. STROBEL
Executive Secretary

FILE COPY
~~SURNAME~~

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

FEJohnson
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Mailed to > JUN 1 1 1951

AIR MAIL

Mr. J. H. East, Jr.,
Executive Officer
DMA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-487 (Zinc)
Silver Bay Mines, Inc.
Exploration Project

Dear Mr. East:

In reviewing the application of the subject Operator, we find that liabilities totalling $6,595.88 are listed in the Balance Sheet for December 31, 1950 and the statement made that approximately $6,000.00 exists in "Mines Suspense Accounts". It is also stated that the Operator has a contract with a group of miners to pay this amount "in full when ore shipments were to be made from the Big Indian Vein".

As the foregoing accounts constitute liens against the property, it will be necessary that the parties holding these liens sign the Mortgagor's Subordination Agreement. A supply of these forms are enclosed. Six copies of the executed Agreement for each party or group holding a lien will be required and should be forwarded to this office with the six signed copies of the contract and other attachments previously sent to you.

Please arrange with the Operator to complete these papers and return them to this office.

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division
Defense Minerals Administration

APPROVED:

Tom Lyon
Chairman, Coordinating Committee

Lowell B. Moon
Member, Bureau of Mines

Olaf N. Rove
Member, Geological Survey

Enclosures
cc to: Messrs. Mittendorf-Olund
Strobel
Moon
Lyon
Rove
FEJohnson - FILES

FEJohnson/bih

FILE COPY
SURNAME:

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

Mailed JUN 8 1951

AIR MAIL

Mr. J. H. East, Jr.,
Executive Officer
DMA Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA-487 (Zinc)
Silver Bay Mines, Inc.
1370 South 2nd West
Salt Lake City, Utah
Exploration Project

Dear Mr. East:

An Exploration Project in the amount of $21,500.00 has been recommended for the Blackhawk mine of Silver Bay Mines, Inc., based upon data supplied by the Operator and the U. S. Geological Survey.

In this connection, we are enclosing six copies of Exhibits "A", "B", "C", "D" and "E", and map to be attached to the contract. Please arrange to have the Operator sign all six copies of the contract and return them to my office with all copies of the Exhibits and map. The Operator and your office will be furnished a copy of the completed contract after it has been executed by the Administrator.

If you have any questions concerning this contract, please do not hesitate to call on me.

Sincerely yours,

Enclosures - 7

C. O. Mittendorf, Director
Production Expansion Division
Defense Minerals Administration

APPROVED:
Tom Lyon

Chairman, Coordinating Committee

Member, Bureau of Mines

Member, Geological Survey

FEJohnson/bih
cc to: Messrs. Mittendorf-Olund
Strobel
Moon
Lyon
Rove
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FILES

FILE COPY
SURNAME:

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

McKinney
Kerstet

May 22, 1951

Re: Docket DMA-487

Mr. Ray V. Lilenquist, President
Silver Bay Mines, Incorporated
1370 South 2nd Street
Salt Lake City, Utah

Dear Mr. Lilenquist:

The Lead-Zinc Branch has recommended your application, dated May 10, for an exploration loan in the amount of $21,500, half of which, if the proposal receives final approval, will be put up by the Government.

Your earlier application, dated January 16, requested funds for this exploration and also additional funds for mining your proven and indicated ore in the Blackhawk and Occidental mines. In our letter of April 2 to you, we suggested that a procurement contract for the zinc in your ore should give you the means for negotiation a private loan that would be guaranteed by the Federal Reserve bank. It has since developed that Federal Reserve guarantees are somewhat more restricted than our earlier information had led us to believe, hence, we are now recommending to the RFC that they make direct loans on proposals of merit.

In revising your January 16 application to eliminate that part of it referring to exploration on the Big Indian vein (which has been superseded by your revised application), we have arrived at a figure of $40,260. This is to cover the following itemized costs:

Blackhawk mine development and mining:	
Sinking 200 feet at $60 per foot.....	$ 12,000
One HUL air hoist, skip, cable, and other equipment.....	2,330
Occidental mine development and mining as follows: Sinking 200 ft.....	12,000
Materials.....	2,330
Rent for compressor for 6 months.....	1,500
General expenses:	
Purchase of air locomotive.....	1,000
Exchange of 210 cu. ft. air compressor for 315 cu. ft., difference in cost.....	4,000

6 mine cars, in part for transporting ore from known shoots.....	$ 900
Foreman salary, 6 months.....	2,400
Engineering and geological work.....	1,800
	$40,260

Your original application called for 12 mine cars, but as half of these are included in the exploration application, we have revised this item to 6 mine cars, at the price quoted in your exploration application.

Your original application also called for 1400 ft. of 16-lb. rail, track, ties, etc., and 1400 ft. of 3-in air pipe, and 1400 ft. of 1-in. water pipe, to be used in the exploration of the Big Indian. Your revised application for exploration aid does not include these items, but as they are not pertinent to the development of the exposed ore on the Blackhawk and Occidental veins, they are being omitted from the recommendation on this project.

The two applications for loans will be considered separately. We anticipate that decision on the exploration loan may come earlier than that on the production loan.

Very truly yours,

Otto Herres

Otto Herres, Chief
Lead-Zinc Branch

ETMcKnight:emp
G 5/22/51
Copies to: J. H. East, Jr. Region IV (2)
Chief, Lead-Zinc Branch
E. T. McKnight 4204 GSA
L. B. Moon
R. H. Mote
L. F. Strobel
Tom Lyon
Directors reading file 4214 GSA
Br. reading file 4214 GSA
Files

FILE COPY
SURNAME:

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

May 17, 1951

Memorandum

Re: Docket DMA-487

To: Production Expansion Division, D. M. A.

From: Director, Supply Division

Subject: Approval of exploration loan for $21,500

A. Name and address of applicant

Ray V. Lilenquist, President,
Silver Bay Mines, Incorporated,
1370 South 2nd Street,
Salt Lake City, Utah

B. Location of deposit, mine, or facility

About 12 miles northeast of Silverton in the Eureka mining district of San Juan County, Colorado. Mine accessible to Gladstone by about 2 miles of steep, winding, secondary road, where it connects with an all-weather road to Silverton (10 miles). Altitude at Gladstone, 10,500 feet. Lower tunnel site on property at 11,000 feet altitude, about 0.8 mile from Gladstone.

C. Conclusions

1. Pertinence of this proposal to commodity program

This proposal, if granted, should within a year or two, increase production of zinc by 300 to 600 tons per year, of lead by 150 to 300 tons, and of copper by 40 to 60 tons per year. The increase in zinc is not a large proportion of the total expansion needed, but will contribute to the general increase needed from the Rocky Mountain region to keep the supply program for zinc in balance with the requirements. Furthermore, the successful outcome of the proposed exploratory program may result in substantially increasing the potential productive capacity of this property. This property in common with several others nearby, now undergoing mining, development, and exploratory programs, is in a highly

mineralized belt about 2 miles in length and 1/2 to 1 mile wide. The area has been mapped geologically by the Geological Survey on a scale of 1 inch equals 1,000 feet, and is considered favorable for a substantial increase in output over a period of 4 or 5 years. By properly integrated exploratory and development programs, some saving of essential materials and facilities may be possible eventually by the use of common development tunnels and milling facilities.

Owing to the marginal grade of much of the ore, development by private enterprise will tend to be relatively slow unless encouragement and financial aid is given by the Government. This is particularly true of small operators, of which the Silver Bay Mines, Incorporated, is a typical example.

C. 2. Technical feasibility

The exploratory work on this property is feasible with relatively small quantities of new equipment and facilities and with a small crew of experienced miners.

The major exploratory work of crosscutting to and drifting on the Big Indian vein may require 100 to 150 feet of work in barren ground, plus 1,000 to 2,000 feet of drifting on the vein before its worth as a major source of zinc and lead can be established or disproved. The applicant requests funds to drift a total of 600 feet on the vein, which may very well be inadequate for a desirable conclusive test of the ground. It is therefore recommended below that the exploration loan requested in application of May 9, 1951, be applied exclusively to this program. The earlier application of January 16, 1951, requests additional monies for mining of known ore which will be the subject of a separate recommendation.

C. 3. Availability of requirements

A fair supply of skilled miners is available in the town of Silverton at the present time, and applicant states that the labor has already been contracted for.

Mine cars are said to be available in Denver supply houses and also in Salt Lake City, at the present time. Used rail and pipe are locally available, particularly from the

recently dismantled Sunnyside property as well as from several other sources. This supply situation is obviously subject to change in the not too distant future.

C. 4. Financing

The applicant obviously cannot finance immediate extensive exploration on returns from the present capacity to produce about 10 or 20 tons per day. Applicant states that the company has spent $70,000 at the property during the last 2 years and is now without sufficient funds to complete the exploratory program. In view of the obvious difficulty of obtaining funds for exploratory work of this kind, it is believed that the request for aid is justified.

C. 5. Competence of applicant

Mr. R. V. Lilenquist and his associates in the Silver Bay Mines, Incorporated, are not experienced mine operators and do not claim full competence in this field. Owing to unfortunate experiences in this project, they have secured the services of Mr. John I. Kasteler as engineer and adviser in their program. He is associated with the Park City Construction property at Crested Butte, Colorado, and is generally known as having very good reputation. In the past he has also worked at the nearby Sunnyside mine, and it is believed that he is fully competent to advise regarding geological and engineering problems.

D. Recommendations

It is recommended that the applicant be given a loan for exploration on a participating basis. It is estimated by the reviewer (W. S. Burbank), that the applicant would need roughly, $65,000 to complete 150 feet of crosscutting plus 1500 feet of drifting that would be desirable. However, in view of the fact that the applicant has only $10,000 - $10,750 for matching, it is recommended that he be granted an exploration loan of $10,750, to be matched by an equivalent amount from him, the total coming to $21,500; this money to be expended in equipping and executing the exploratory work on the Big Indian vein. This should be adequate to reach the vein and drift 500 to 600 feet and compares with about $22,600 originally requested by the applicant for this purpose. This recommendation is made with the realization that it probably will require even more than this footage to thoroughly

test the vein, which is traceable on the surface for about 1000 feet, and may extend an equal distance beneath the glacial cover.

E. Applicant's proposal

Proposal for the exploratory work (application of May 9, 1951), is as follows:

Crosscut 100-150 ft. from present heading of Blackhawk tunnel to intersection of Big Indian vein, and drift 300 ft. each way on this vein, at following costs:

Footage cost, 750 ft. at $12.50 (already contracted)	$ 9,375.00
Rental of 210-cu.ft. compressor, 5 mos.at $200.	1,000.00
Rental of mucking machine, 5 mos. at $150	750.00
Rental of Drill machine, hoses, bars, 5 mos. at $100	500.00
Rental of air locomotive, 5 mos. at $150	750.00
Six mine cars, 18 cu.ft. at $150 each	900.00
Cost of operating supplies (listed), 5 mos. at $1,245	6,225.00
Supervisory foreman (proportioned cost to exploration phase of total operation) 5 mos. at $250	1,250.00
Engineering and Geological (likewise proportioned), 5 mos. at $150	750.00
Total	$21,500.00

F. Statement of how proposal fits into the program for expansion of production for this commodity.

See item 1 of part C - page 1.

G. Statement, including summary of supporting data, on technical feasibility as to:

1. Reserves

The known and inferred reserves of the Blackhawk vein were estimated by Mr. Kasteler as follows:

G. Heighth of 50 ft. above tunnel on strike length of 80 ft. (ore considered too much oxidized above this limit)..... 2,400 tons

Reserves below tunnel level, same shoot, possible for each 100 ft. depth over a length of 180 feet..... 9,000 "

Heighth of 20 ft. above tunnel on strike length of 50 ft., ore shoot near portal..... 300 "

Grade of Blackhawk ore shipped was 4.35 to 4.6% lead and 4.65 to 7.2% zinc. In addition it contained about 4 oz. silver, and 0.52% copper. Gold was 0.025 oz. per ton.

Based upon an examination of this property by the Geological Survey in 1950, it is believed that the known reserves of 2,700 tons are conservatively estimated. Inferred reserves of over 40,000 tons appear reasonable from geologic evidence but are definitely speculative.

Exploration proposal on Big Indian Vein

The U. S. Geological Survey has recently completed geologic mapping of the area around the properties of the Silver Bay Mines, Incorporated, and the following statements on the technical feasibility of the proposed exploration are based upon the results of this survey,(which was done on a scale of 1 inch to 1,000 feet; R. S. Burbank, geologist in charge).

The Big Indian vein is exposed in scattered shallow cuts for about 1,100 west (N. 60W) of the heading of the Blackhawk tunnel, which is approximately 300 feet below the closest outcrop of the vein. The vein dips about 60 degrees northeast and away from the tunnel heading. Based upon the mine map supplied by the applicant and upon the field surveys, the additional crosscutting required to reach the vein may be as much as, or somewhat more than, 150 feet. Applicant estimated about 100 feet.

The vein where exposed is a strong quartz-rhodonite vein with shoots of good appearing sphalerite ore containing some galena. The average grade and size of the ore shoots remain to be determined. Ahead of the breast of the Blackhawk tunnel the vein at the surface passes beneath glacial overburden, from which point its projected extension to the east would be covered for nearly 2,000 feet. At the head of the glacial basin, about 800 ft. above the tunnel and about 2,000 ft.

east of it, a vein reappears having the same mineralogy, strike, and dip. This could be the eastward extension of the same vein, and if so, the vein may have a length in excess of 4,000 feet. As there are several cross veins in the basin, the vein may be locally displaced or interrupted. This exposure is within a belt of well-mineralized ground about 1/2 to 1 mile in width and 2 miles in length, lying in the footwall of a major fault of northwest trend. Geologic evidence indicates that this fault had a major control on the localization of ore bodies in this belt, and that its footwall belt is particularly favorable for exploration. Both the Lead Carbonate and Gold King ore bodies in the same belt lie in somewhat similar relation to the footwall of this fault as does the Big Indian vein.

The proposal of the applicant to explore this vein from the heading of the Blackhawk tunnel, therefore, has merit from a strictly exploratory basis. The fact that the vein was not more thoroughly explored prior to 1911 is very likely due to the nature of the exposed bodies of sphalerite-galena ore, which generally in this area were not sufficiently rich in gold and silver to warrant development.

It is thought probable that the 600 feet of drifting proposed by the applicant on this vein will be inadequate to thoroughly explore its productive possibilities. However, completion of this amount of work should permit a much better judgment of the worth of the vein.

G. 2. Rate of production

Assuming moderate success in exploratory work on the Big Indian and other veins, the property should yield about 300 to 600 tons per year of zinc, about 150 to 300 tons of lead, and 40 to 60 tons of copper. If the Big Indian vein proves worthy of major exploration and development, the property could become a much larger producer of zinc and lead within a 3 to 5 year period. The vein can be reached either from Gladstone at 10,500 ft. altitude, or from a 1600 ft. tunnel (the Hurley tunnel) located on the applicant's property about 0.8 mile south of Gladstone at 11,000 ft. altitude. From this tunnel about 2,500 to 3,000 feet of additional crosscutting would be required to tap this vein 600 ft. below the present operating tunnels. This would give around 700,000 sq.ft. of prospective vein area below the known 1,100 ft. length of outcrop as well as additional ground on other veins. The winzes, which the operators propose to sink on the known ore shoots of the Blackhawk and Occidental tunnels, are considered by them as

part of a general exploratory and development program aimed at proving enough ore to warrant eventual operations from the lower (Hurley) tunnel level.

G. 3. Mining methods and costs

Mining costs on small development and exploratory operations in the San Juan region are generally higher than normal because of transportation and weather problems. On small operations of this kind the question of methods and costs is hardly worth too extensive investigation providing there is reasonable assurance of competent engineering advice and experienced miners. This appears to be met in this proposal by the retainment of John I. Kasteler as engineer and geologist, and through the employment of local miners, most of whom make Silverton their home and have had experience in the mining problems of this area.

In the nearby Lead Carbonate mine, average mining costs with a low production schedule of near 30 tons per day average (for the year 1950) has been a little under $5.00 per ton, including trucking to their own mill about a mile from the mine. Shrinkage-stoping methods are used almost exclusively in this area. Some difficulties have been encountered with this method in the Occidental property owing to the local relatively flat dip of the vein and to soft walls. The Big Indian vein, however, is believed to have much better walls and an average steeper dip of about 60 degrees or more, so that less difficulty should be experienced on this vein, if mineable ore shoots can be developed.

Hand sorting at the ore bins is commonly used at small operations of this kind, chiefly to discard larger blocks of wall rock or pyritic ore.

3. 4. Milling practice and costs

The Silver Bay Mines, Incorporated has no milling facilities of their own and have shipped ore either directly to smelters or to local custom mills at Silverton and Ouray, Colorado. The cost of trucking ore to the American Zinc, Lead, and Smelting Company's custom mill at Ouray will probably prove prohibitive because of the distance of over 30 miles. Trucking to the local Shenandoah-Dives custom mill at Silverton, about 8 miles, is feasible with local contract trucking schedules. This mill is under very competent management and efficient treatment of the ore can be assured with selective flotation.

Milling charges at the American mill at Ouray are $4.50 per ton. Costs at the nearby Lead Carbonate mill, not now accepting custom ore, were $4.11 per ton, including all costs from mill to smelter.

The general practice of custom mills in the area is to produce a table or jig concentrate, lead concentrate, and zinc concentrate. A copper concentrate can be produced on suitable ores at the American custom mill.

G. 5. Marketing

No marketing difficulties should be experienced as explained above under item G - 4.

G. 6. Time schedule

Applicant estimates that the proposed project can be completed in 5 months.

H. Statement on availability of project requirements as to:

1. Equipment and facilities already installed

One CP Portable Rubber tired air compressor, gas driven motor, 210 cu. ft.
One Gardner-Denver mechanical loader
One Gardner-Denver D' (B automatic Leyner)
Column bars (2), drill steel, bits.
One Gardner-Denver, S 55 Jackhammer, steel, bits.
Two CP stopers, 100 lb.
200 ft. 16-lb. rail.
One Willis jeep.
One 4 x 4 Dodge army pickup truck.
Four 18-cu. ft. mine cars
It is also understood that the company has a diamond drill available for drilling about 100 ft. (not listed by them).

H. 2. New equipment and facilities needed

Six mine cars.

Timber and other small supplies.

H. 3. Transportation

Access roads and transportation needs are adequate.

4. Manpower

Two crews are available at the mine, 4 men in all.

5. There are no power requirements at the property, but power lines run to within about a mile of the property.

Tom Lyon, Director
Supply Division

W. S. Burbank:emp
G 5/17/51
Copies to: J. H. East, Jr. Region IV (2)
Chief, Lead-Zinc Br.
E. T. McKnight 4204 GSA
L. B. Moon
R. H. Mote
L. F. Strobel
Tom Lyon
Directors reading file 4214 GSA
Br. reading file 4214 GSA
Files

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

May 15, 1951

Mr. Ray V. Lilenquist, President
Silver Bay Mines, Inc.
1370 South Second West Street
Salt Lake City, Utah

Subject: Exploration Loan
DMA-487 X

My dear Mr. Lilenquist:

Receipt is acknowledged of your application and attachments of May 7, 1951 from the SILVER BAY MINES, INC. for an exploration loan under the Defense Production Act of 1950.

The application was assigned Docket Number 487 X and referred to Mr. Otto Herres, Chief, Lead-Zinc Branch, on May 10, 1951.

In any future correspondence relating to your application, kindly refer to DMA-487 X.

Sincerely yours,

LANDON F. STROBEL

Landon F. Strobel
Executive Secretary

LFSTROBEL:aec
cc: Strobel-2
Files
Mr. Herres
Mr. Lyon

Silver Bay Mines, Inc.

Salt Lake City, Utah.

May 10, 1951.

Mr. Otto Herres, Chief, Lead-Zinc Branch
Defense Minerals Administration.
Washington 25, D. C.

Dear Mr. Herres:

Enclosed please find completed forms MF-100 and MF-103 indicating our proposed plan of exploration in the Blackhawk mine, San Juan County, Colorado.

As far as we can determine at present, our company will be able to participate to the extent we have shown on Form MF-103. The total expenditure involved is $21,500.00. This sum should drive 750 feet of crosscuts and drifts, which is very near the estimates we originally made.

We are ready to start work at any time and have lined up a crew of miners that will contract the drifting work at $12.50 per foot, including their own insurance.

Our equipment is at the mine and work can be started immediately. The only equipment purchases that should be made are 6 mine cars. These are available in Salt Lake at a price of $150.00 each, delivered in Silverton. We have 4 cars at the mine but should have 6 more.

Thank you kindly for your assistance in this matter.

Yours very truly,

Ray Lilenquist

Ray Lilenquist, President.

FILE COPY
SURNAME:

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

Herres
Mete
McKnight

May 7, 1951

DMA-487
Silver Ray Mines, Inc.
Blackhawk & Accidental Mines
San Juan County, Colorado

Mr. Ray V. Lilenquist, President
Silver Ray Mines, Inc.
1370 South 2nd West Street
Salt Lake City, Utah

Dear Mr. Lilenquist:

I have your letter of recent date requesting information concerning the procedure of matching funds for a lead-zinc project under the exploration program of DMA.

It is contemplated under the exploration program that the Government will match funds with the applicant on a month to month basis. This means for an approved project that at the end of the first month the operator will submit a statement to the Government field office of expenditures on the project during the past thirty days. The Government contribution amounting to fifty percent of the approved expenditures will be paid promptly. The Government will stand half of the customary rental charges for equipment and similar items. All of this is covered in considerable detail in the regulations and contract forms which accompanied my letter of April 12.

In the letter of April 12 it was stated that the program may apply to proposed expenditures amounting to at least $22,800 and possibly more. If the amount is $22,800, the contract would provide a Government matching of funds or contribution of $11,400 to be supplied in amounts needed from month to month to match your expenditures until the total reaches $22,800.

The matter of a procurement contract for your knowners will be the subject of a separate negotiation. You will be advised further in this connection as soon as possible.

Yours very truly,

OTTO BRAUCH, Chief
Lead-Zinc Branch

OBrauch:ks

cc: Mr. Strobel
Mr. Herres
Mr. McKnight
Mr. Mete
Files

LANDON F. STROBEL

Silver Bay Mines Incorporat
1370 South 2nd West St.
Salt Lake City, Utah.

Mr. Otto Herres, Chief, Lead-Zinc Branch
Defense Minerals Administration
Dept. of Interior Building
Washington, D. C.

RE: DMA-487

Dear Mr. Herres:

Please accept my thanks for your letter of April 12, 1951, in which you have outlined the exploration and production procedures for the Blackhawk and Occidental mines of the Silver Bay Mines, Inc., DMA application No. 487.

Because our funds are limited, we must ascertain the amount of expenditures required by us. We do not wish to make any comittments that we will be unable to fulfill.

In the middle of page 1 of your letter you state "it will be necessary to match Government funds on an equal basis". This we assume is the 'fifty-fifty' deal expounded by the DMA. However, on page 1 of Circular INt-3337, there is listed the Government contribution for lead-zinc exploration---- 'Government contribution, 50 percent, etc'.

As is evident, there is considerable variance between the two amounts and it will make a difference to us whether or not we will be matched by Government funds on an equal basis or whether the Government will contribute 50 percent of the exploration costs. It is doubtful if we can raise sufficient money for the latter requirement. Would you please advise us which requirement is correct.

We are very much interested in obtaining a procurement contract for our known ore and subsequent private financing to mine this ore. Could you please advise us further as to the procedure involved in carrying out this phase of our program to completion.

Thank you kindly for your very fine interest and cooperation.

RECEIVED
MAY 3 - 1951

Yours very truly,

Ray V. Lilenquist

Ray V. Lilenquist, President.

MAY 3 1951

BUREAU OF MINES
WASHINGTON, D. C.

MAY 3 7 46 AM '51

FILE COPY
SURNAME:

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

APR 12 1951

In reply please
refer to DMA-487

Mr. Ray V. Lilenquist, President
Silver Bay Mines, Incorporated
1370 South 2nd Street
Salt Lake City, Utah

Dear Mr. Lilenquist:

One of the purposes of the Defense Production Act of 1950 is the encouragement of exploration, development and mining of strategic minerals and metals. Where an applicant has proven reserves of strategic materials, Federal aid in mining can be given through procurement contracts for such materials as are in short supply. On the strength of these contracts, the applicant can obtain private financing in most instances.

The program recently approved for encouragement of exploration of strategic materials calls for participation on the part of the applicant. For zinc, lead and copper deposits it will be necessary to match Government funds on an equal basis. Funds advanced by the Government will be considered a loan, to be repaid if the exploration is profitable, but to be canceled if unsuccessful. The details of the plan, explaining the projects that will be eligible for assistance, the terms and schedules of financing, repayment, and other pertinent information, are enclosed.

A review of your application (DMA-487) for financial aid in exploring and mining at the Blackhawk and Occidental properties indicates that part of your proposal dealing with exploration of the Big Indian vein, may be considered under this exploration program. Details concerning expenditures that will be considered chargeable to exploration aid will be subject to a final determination by negotiation, but as a preliminary appraisal we believe that the program may apply to proposed expenditures amounting to at least $22,800, and possibly more, depending upon what percentage of general equipment and engineering costs can be charged.

Before we can proceed further with consideration of this exploration phase of your application, which may or may not require a field examination, please indicate your willingness to provide your

share of the funds needed to carry out the proposed exploration. Any modification of your original proposal that you may wish to make will be considered, but you should be specific concerning the work you wish to undertake.

That part of your proposal dealing with sinking on known ore in the Blackhawk and Occidental mines will be the subject of a separate negotiation. We believe that a procurement contract for the zinc in your ore will give you the means for negotiating a loan with your local bank which will be guaranteed by the Federal Reserve Bank on the recommendation of the Defense Minerals Administration.

Very truly yours,

Otto Herres

OTTO HERRES, Chief
Lead-Zinc Branch

Enclosures

ETMcKnight:emp
G 3/19/51
Copies to: 2 copies to Executive Officer
J. H. East, Jr. Region IV
Chief, Lead-Zinc Br.
E. T. McKnight 4204 GSA
L. B. Moon
R. H. Mote
L. F. Strobel
C. O. Mittendorf
Files

Docket No. DMA-487
Commodity: Zinc-Lead

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS ADMINISTRATION

STRATEGIC AND CRITICAL MINERAL EXPLORATION PROGRAM

To: Chief, Finance Section
Washington Office

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

Contract No. I-DMA-E 26 Date: June 27, 1951

Name of Operator: Silver Bay Mines, Inc.

Address of Operator: 1370 South 2nd West
Salt Lake City, Utah

Amount of contract (Government participation) ..... $ 10,750

Percent of participation .....50. %

Region: IV

(Name)

Mining Engineer
(Title)

Submit one copy

98263

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Washington office pertaining to Amended Contract Idm-R26, Docket DMEA-487 (zinc-lead), dated April 13, 1953, with

Silver Bay Mines, Inc.
1117 East 7th Place
Mesa, Arizona

for the purpose of determining the amount of royalty payable to the U. S. Government on sales of minerals from property referred to as the Black Hawk Mine located in San Juan County, Colorado, during the period June 10, 1959, through November 2, 1962.

In accordance with Amendments Nos. 4 and 6 and Annex IV (attached to and a part of Amendment No. 4) of the Amended Contract, royalty is payable on all minerals produced from the land described in Article 2 of the contract for a period of 14 years from the date of a prior Contract (June 27, 1951) or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first. A Report of Review dated June 7, 1956, indicated accepted costs under the exploration contract amounting to $25,062.00 with the Government's contribution on a 50 percent basis being $12,531.00.

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

This review established no sales subject to the Government's royalty subsequent to the period covered by a prior Report of Royalty Review which also found no sales subject to the Government's royalty through June 9, 1959. Accordingly, as of November 2, 1962, the royalty account of this project was found to be:

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

E. D. Talbert

E. D. Talbert, OME Auditor

November 19, 1962

Idm-E26 Silver Bay Mines, Inc. DMEA-487

STATUS OF PROJECT, SCOPE OF REVIEW AND REASONS THEREFOR

This Amended Contract provides that the Operator, as principal if the producer or as surety if not the producer, shall pay to the Government a percentage royalty on all minerals produced from the land thereunder. The land consists of the Big Indian patented claim located in sec. 21, T. 42 N., R. 27 W., N.M.B.M., Gladstone Mining District. At the time the contract was executed the Operator was the owner of the claim. The contract contains the so-called "abandonment" provision.

Exploration work under the contract was suspended on November 30, 1953. Inasmuch as contract work was not resumed, it was automatically terminated effective as of that date by the provisions of Amendments Nos. 4 and 6 to the Amended Contract. There was no production during the exploration period.

Examinations of the property and inquiries by DMEA and OME regional representatives have disclosed no production through December 31, 1959, and only intermittent activity in the form of additional exploration work. In a November 2, 1962, reply to a MME Form 63 inquiry the Operator's secretary, C. V. Liljenquist, advised that neither production nor change in property status has occurred since January 1, 1960.

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

(1) The files indicate that no minerals have been produced from the property under the contract; and

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

225

JUN 11 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 Ime-726, Docket No. 1884 487, dated June 27, 1951, amended April 13, 1953, with

Silver Bar Mines, Inc.
1370 South 200 East Street
Salt Lake City, Utah

for the purpose of determining the amount of royalties due the U. S. Government on the sales of Zinc-Lead, from property referred to as Black Hawk Mine, located in San Juan County, Colorado, during the period June 27, 1951 thru June 9, 1999.

A Remade Certification was effected by Amendment No. 4 to the amended contract and according to Annex IV and Amendment No. 6, royalty is payable on all minerals mined or produced from the land described in Article 2 of the amended contract for a maximum period of 14 years from the date of the prior contract. A Report of Review in lieu of final cost audit dated June 7, 1956, indicated accepted costs under the exploration contract amounting to $25,062.08, with the Government's contribution on a 50 percent basis being $12,531.00.

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 January 1, 1956 to June 30, 1956, operation ceased about November 30, 1953; ustore has been shipped since June 21, 1951, (the date of the exploration contract). Subsequent Semi-Annual Reports of the Field Team during the period July 1, 1956 thru December 31, 1958 indicate the property is 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 discovered.

June 9, 1959

Donald F. Finch
Donald F. Finch
OME Auditor

DEPARTMENT OF MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

Arnold
Klingenschmid
Petty

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

Silver Ray Mines, Inc.
1370 South 2nd West Street
Salt Lake City, Utah

pertaining to Exploration Project Contract No. I-DMA-826, Docket No. DMA-487X, including Amendments Nos. 1 and 2, and Amended Contract No. I-DMA-826, Docket No. DMEA-487, including Amendments Nos. 1 through 6, and notice of termination dated January 5, 1956, for the months of July 1951 to November 1953, inclusive, and the subsequent disposition of project property, covering a project for the exploration of zinc-lead on property, known as the Big Indian Claim located in San Juan County, Colorado.

My review included an examination of the Monthly Reports (Forms MF-104) and supporting documents attached thereto, comparison of the costs claimed with the contract and pertinent schedules, consultation with the Executive Officer of the 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) a major portion ($24,230.00) of the costs claimed was covered by an Interim Audit Report and Certificate issued by this auditor on November 4, 1953; and
(b) the balance ($2,511.90) of the costs claimed was under a contract provision for payment by the Government on the basis of agreed estimated costs of units of work actually performed.

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

Total cost as billed by Contractor		$26,741.90
Less: Proceeds from property disposition		272.79
Net cost as claimed by Contractor		26,468.71
Exceptions (Schedule attached):		
Per prior audit	$1,006.71	
Herewith	100.00	1,106.71
Total Accepted Cost		$25,362.00

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Twelve thousand five hundred thirty-one and no/100 Dollars

$12,531.00

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.

Donald T. Finch
Donald T. Finch, Auditor

June 7, 1956

SILVER BAY MINES, INC.

Contract Ipb-826 | Docket No. DMA-427

SCHEDULE OF EXCEPTIONS

Exceptions by Finance Officer
MF-104 for October, 1953

Pipe (No supporting documentation)	$131.62	
Truck " " "	187.00	$ 318.62

Exceptions by Defer Audit

Excessive Claim for Drifting (See footnote No. 1, page 3 of Audit Reported dated 11/4/53)	190.55	
Explosives (No supporting documentation)	222.76	
Pipe " " "	28.60	
Other Supplies" " "	246.38	688.09

Remarks

Overstatement of Totals to Date on MF-104 for November, 1953	100.00
Total Exceptions	$1,106.71

The Executive Officer of the DMA Field Team, Region III, and the Auditor concur in all of the foregoing exceptions.

Department of the Interior
Defense Minerals Administration
RECEIVED
NOV 1953

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

INTERIM AUDIT CERTIFICATE

Greenwood
Betty

I have examined the records and transactions of:

Silver Bay Mines, Inc.
1370 South 2nd West Street
Salt Lake City, Utah

pertaining to Exploration Contract I-DMA-E26, Docket No. 487 as amended by Annex I and II including Exhibit A amended, for the period of June 27, 1951 to August 31, 1953, covering a project of exploration of zinc-lead located in San Juan County, Colorado.

My examination was made in accordance with generally accepted standards applicable in the circumstances.

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

Total Cost per MF-104		$24230.00
Exceptions: (Per Audit Report)		
Prior to the Audit	$318.62	
During the Audit	688.09	1006.71
Total Accepted Cost		$23223.29

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the Contractor by the Government in the amount of Eleven Thousand Six Hundred Eleven and 65/100 Dollars

-$11,611.65-

is valid and proper.

This certificate is issued on the provision 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.

Dated: November 4, 1953

Donald T. Finch
Donald T. Finch, Auditor

INTERIM AUDIT

I. INTRODUCTION

On October 30, 1953, an interim audit (covering the period of June 27, 1951 to August 31, 1953) was made of the records and accounts of operations pertaining to Contract No. I-DMA-E26, Docket No. DMA 487 as amended by Annex I and Annex II with the

Silver Bay Mines, Inc.
1370 South 2nd West Street
Salt Lake City, Utah

covering a project of exploration of zinc-lead located in San Juan County, Colorado.

The accounting records under this contract are located in the office of Christiansen and Fagg, Certified Public Accountants, Phillips Petroleum Building, Salt Lake City 1, Utah.

During the course of the audit, Mr. T. J. Christiansen, C.P.A. was consulted as required. His cooperation greatly facilitated the audit.

II. GENERAL INFORMATION ON RECORDS

Operations under this Exploration Contract have been conducted in the following periods:

June 27 to October 5, 1951
July 26 to October 26, 1952
June 25, 1953 to date.

Work has been recessed in the fall of each year because of winter conditions.

During the 1951 season, the company conducted its own mining operations but in subsequent seasons, the work has been performed on a sub-contract basis.

An attempt to perform this audit was first made on May 12, 1953. At that time, Mr. Christiansen reported that the Operator kept its own records in 1951. Apparently only meager summary data was turned over to Mr. Christiansen for assembly into a general accounting system.

Mr. Christiansen stated that he had never been furnished copies of Forms MF-104 (Operator's Monthly Report and Voucher) for that period. No accounting data such as payrolls, cancelled checks, Purchase Invoices or Monthly Summaries were available.

It was reported that Mr. Vere Lilenquist, who was the Operator's Manager at Silverton, Colorado, during the 1951 season, and who was in charge of any records maintained, is at present, somewhere in Australia. Efforts to locate original documents at his home were unsuccessful.

Reference to the DMEA Field Team's copies of Forms MF-104 for the period June 27 to October 5, 1951, disclosed that the Operator had furnished a list of purported supplies and amounts of purchases with each Form MF-104 submitted. In order to assist the Operator's Accountant, an abstract of the information on these lists was made available to Mr. Christiansen.

On October 10, 1953, Mr. Christiansen mailed the Auditor sumary duplicate invoices which he had assembled by contact with the various suppliers.

Subsequent to the receipt of these duplicate invoices, an office analysis was made, and the results discussed with Mr. Christiansen.

This audit, therefore, has involved in general, an examination of all available data and its reconciliation with the Monthly MF-104 reports.

III. SCOPE OF AUDIT AND FINDINGS

The audit was limited to ascertaining the accuracy, propriety, and validity of the costs shown in the "Totals to Date Column" of Form MF-104, Operator's Monthly Report and Voucher, for the month of August, 1953. The extent of the audit and the findings under each of the "Items of Cost" follow:

(1) Independent Contracts

An analysis of charges for Independent Contracts disclosed that $1662.50 distributed to contract crosscutting should be transferred to Labor because it represents wages paid to miners on an incentive basis.

During the 1952 season of operations, Drifting and Crosscutting were performed by the U. S. Metals Corporation under a sub-contract which was approved by the DMEA Executive Officer July 3, 1952.

During the 1953 season, the drifting under Stage II of the amended contract is being performed by Henry P. Ehrlinger under a sub-contract. Under the amended contract, this work is on a Unit Cost basis. All invoices for the sub-contract work performed in the 1952 season were examined and compared with Supervising Engineer's reports. Charges on a Unit Cost basis for the 1953 season to August 31, 1953 were confirmed by reference to the Supervising Engineer's monthly reports.

An analysis of these charges follows:

Stage I

July 26 to October 26, 1952		
Crosscutting		
51 Ft. Timbered Advance at $45.00 per foot	$2295.00	
129½ Ft. Untimbered Advance at $40.00 per foot	5180.00	
Total Acceptable Crosscutting Cost under Independent Contract Stage I		$7475.00
Drifting (See Footnote No. 1)		
66 Ft. Timbered Advance at $45.00 per foot	2970.00	
20½ Ft. Untimbered Advance at $40.00 per foot	820.00	
Total Acceptable Drifting Cost under Independent Contract Stage No. I		$3790.00

Stage II

June 25 to August 31, 1953	
60 Ft. of Drifting at agreed Unit Cost of $45.50 per foot, Acceptable Cost	$2730.00

Footnote No. 1

The Operator claimed $3980.55 for drifting cost applicable to Independent Contract Stage No. I. The amended contract in Annex II of the Exploration Contract provides the Operator is to receive no contribution for drifting in 1952 on the Big Indian vein subsequent to October 26, 1952. Exhibit A amended; under Stage No. I designates this drifting as part of Stage No. I and limits the distance to 86½ ft. As tabulated above, the charges supported by invoices from the independent contractor establish an acceptable cost for the 86½ ft. at $3790.00. The excess claimed by the Operator of $190.55 is, therefore, disallowed, with the concurrence of the Executive Officer of the BMEA Field Team, Region IV.

(2) Labor and Supervision

(a) Labor

Charges for Labor were for miners engaged in crosscutting during the period June 27 to October 5, 1951. Payment was made on the basis of $12.50 per foot of Advance. The Operator has reported this item under Independent Contracts-Crosscutting. Distribution is corrected in this audit report.

There were no cancelled checks or payrolls covering these charges available for audit. The Operator, however, submitted signed receipts for payments from June 28 to October 27, 1951 for "drift contract" from:

Bill Bowman	$ 824.58
Robert N. Blowers	1037.92
acceptable total Labor Cost	$1862.50

As further confirmation of the total charge reference was made to the Supervising Engineer's Reports which report a total of 149 ft. of advance during the above period. This advance at $12.50 per foot equals the total amount claimed.

(b) Supervision

Charges for Supervision represent reported payments of $250.00 per month to Mr. C. Vere Lilenquist for July, August and September, 1951.

There were no cancelled checks or other accounting data to support this charge.

Exhibit A of the amended contract authorizes the service of a foreman for 5 months at $250.00. Supervising Engineer's Reports for the months of July, August and September 1951, and discussion with Mr. Hazen, Jr., Mining Engineer, indicate Mr. Vere Lilenquist performed the claimed services.

The claimed amount of $750.00 is considered reasonable and is accepted in this audit report.

(c) Technical Services

Not applicable.

(3) Materials and Supplies

All charges for Materials and Supplies during the periods of operation were examined and compared with such duplicate purchase invoices as were made available. Accounting distribution of these charges has been corrected in this audit report.

The acceptable charges for each category are tabulated below:

Timber	$ 13.44
Explosives (See Footnote No.2)	748.43
Pipe (See Footnote No.1)	114.79
Track(See Footnotes Nos. 1 &2)	184.71
Compressor Fuel	820.63

Other (See Footnote No. 2)		
Vent Tubing	917.13	
Drill Steel	288.04	
Tool Dressing	462.26	
Trucking	150.00	
Miscellaneous Small Tools & Supplies	275.98	
Total Other		2093.41
Total		$3975.41

Footnote No. 1

Prior disallowances by the Certifying Officer of Pipe $131.62 and Track $187.00 applicable to the October 1952 MF-104 were made for lack of documentation. The audit confirms these disallowances. No evidence of quantities, items or names of suppliers was discovered to support the operator's claim.

Footnote No. 2

The following charges which were claimed by the Operator during the operating period June 27 to October 5, 1951 are disallowed by the audit for lack of documentation. No evidence of quantities or prices were available and the reasonableness or propriety of the charges could not be determined.

Names of suppliers indicated below are based on clues discovered during the audit, and are not vouched for by the Auditor.

Carl D. Curtis Co.		
July 1951	$205.18	
August 1951	177.39	
August 1951	6.47	$389.04
No Supplier's name discovered (Claimed in August 1951)		
26 yards Rails, 520 pounds at $110.00 per ton		28.60
William Gianetto		
Lamp Rental		
August 1951	15.00	
September 1951	15.00	30.00
William Smith		
September, 1951-Moving Compressor & hauling Supplies		49.44
Triangle Service		
September, 1951		.46
Total Audit Disallowances Materials & Supplies		$497.54

The Operator's Accountant has been furnished a list of the above items, and has been advised that if, as, and when adequate accounting support is submitted with a reclaim, consideration will be given to reinstating both the prior and audit disallowances applicable to Materials and Supplies.

(4) Operating Equipment

(a) Rental

Rental charges for equipment were for the months of July, August and September, 1951. Rates claimed were in accordance with those authorized by the amended Exploration Contract.

There were no logs of equipment use, however, reference to Monthly Reports of the Supervising Engineer, indicates the equipment was used during the period claimed. The accepted rental charges follow:

Compressor, 3 months at $200.00	$600.00
Air Locomotive, 3 months at $150.00	450.00
Drill, 3 months at $100.00	300.00
Mucking Machine, 3 months at $150.00	450.00
Total Acceptable Rentals	$1800.00

(b) Purchases

The amended Exploration Contract authorizes the purchase of 6 mine cars at a cost of $724.00. Duplicate invoices supporting these purchases were examined and the claimed amount of $724.00 is acceptable.

(c) Depreciation

Not applicable

(5) Initial Rehabilitation and Repairs

Not applicable

(6) New Buildings and Improvements

Not applicable

(7) Miscellaneous

(a) Repairs to Equipment

Charges for Repairs to Equipment were applicable to the period June 27 to October 5, 1951. Duplicate invoices for Equipment Repairs were examined, and the accounting distribution to this category has been corrected in this report. The acceptable charges for Repairs to Equipment consisted of the following items:

Compressor Repairs	$30.60	
Drill Repairs	76.30	
Mucking Machine Repairs	9.48	
Acceptable Total		$116.38

IV. CONCLUSIONS AND RECOMMENDATIONS

This audit has disclosed that all costs, as charged to this project, with the exception of the disallowances itemized under items (1) Independent Contracts, and (3) Materials and Supplies, of the preceding section of this report, are reasonable and proper under the terms of the contract as amended by Annex I and Annex II including Exhibit A as amended.

The totals to date shown on the August 1953 MF-104A are in agreement with the totals to date shown by the Operator on the MF-104 for that month. It is recommended that those items on the MF-104A applicable to Stage I, be adjusted to reflect the disallowances set forth in this report.

An analysis of the allowable maximum items as established by the amended contract follows:

	Maximum	Accepted Expenditures	Balance
STAGE NO. I			
Supervision	$1250.00	$ 750.00	$ 500.00
Consultants	750.00	None	750.00
Total Costs Stage I	21500.00	20493.29	1006.71
Total Cost of Project	30600.00	23223.29	7376.71

The adjustments between items of costs, as shown on the August, 1953 MF-104, the recommended disallowances, and approved amounts are summarized as follows:

	Total to Date MF-104, Aug. 1953	Distribution Corrected	Prior Disallowances	Audit Disallowances	Allowed by Audit
Independent Contracts					
Crosscutting	$9337.50	$7475.00			$7475.00
Drifting	3980.55	3980.55		$190.55	3790.00
Drifting Stage II	2730.00	2730.00			2730.00
Labor & Supervision					
Labor		1862.50			1862.50
Supervision	750.00	750.00			750.00
Operating Materials & Supplies					
Timber	13.44	13.44			13.44
Explosives	925.82	971.19		222.76	748.43
Pipe	246.41	246.41	$131.62		114.79
Track	427.43	400.31	187.00	28.60	184.71
Compressor Fuel	834.63	820.63			820.63
Other	1157.35	2339.59		246.18	2093.41
Operating Equipment					
Rental	1800.00	1800.00			1800.00
Purchased	724.00	724.00			724.00
Miscellaneous					
Repairs to Equip.	186.30	116.38			116.38
Transportation	199.44				
Ventilating	917.13				
	$24230.00	$24230.00	$318.62	$688.09	$23223.29

At the conclusion of the audit, the findings were discussed with Mr. T. J. Christiansen, C.P.A., for the Silver Bay Mines, Inc., and with the Executive Officer of the DMEA, Field Team, Region IV.

Donald T. Finch

Donald T. Finch, Auditor

November 4, 1953

No. 6

AMENDMENT TO CONTRACT: No. [illegible] AS AMENDED

Contract Docket No. [illegible] 487, dated April 13, 1953, between the United States of America and Silver Ray Mines, Inc., is hereby amended as follows, effective August 1, 1955:

1. Amendment No. 5 is cancelled.

2. The period of suspension fixed by Amendment No. 4 as ending not later than September 1, 1954, is extended to not later than November 1, 1955.

3. The time for completion fixed by Amendment No. 4 as prior to February 13, 1955, is extended to prior to October 13, 1956.

4. The period for the payment of royalties fixed by Annex IV at twelve (12) years is extended to fourteen (14) years.

This amendment shall not be construed to increase the 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 "allowable expense."

Dated September 16, 1955

UNITED STATES OF AMERICA

SILVER RAY MINES, INC.

By Ray Lilienquist
Ray Lilienquist, President

By W. M. Inover
W. M. Inover, Executive Officer
[illegible] Field Team, Region III

Docket copy

AMENDED EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INC.
DOCKET NO. DMEA-487

AMENDMENT NO. 5 to AMENDED CONTRACT

It is agreed this 28th day of October, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Silver Bay Mines, Inc., that Amended Exploration Project Contract Idm-E26 (Docket No. DMEA-487), dated April 13, 1953, as amended, is further amended as follows:

1. The period of suspension fixed by Amendment No. 4 as ending not later than September 1, 1954, is extended to not later than August 1, 1955.

2. The time for completion fixed by Amendment No. 4 as prior to February 13, 1955, is extended to prior to October 13, 1955.

3. The period for the payment of royalties fixed by Annex IV at twelve years is extended to thirteen (13) years.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O O McMeadors
Administrator, Defense Minerals
Exploration Administration

Hoffling
Selfridge
Chamberlin
J R Johnson

SILVER BAY MINES, INC.

By Ray Lilienquist
President

Docket copy

AMENDED EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INC.
DOCKET NO. DMEA-487

AMENDMENT NO. 4

It is agreed this 11th day of August, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Silver Bay Mines, Inc., hereinafter called the "Operator," parties to that certain Amended Exploration Project Contract Idm-E26 (Docket No. DMEA-487), dated April 13, 1953, as amended, hereinafter called the "Amended Contract," that:

1. Amendments Nos. 2 and 3 are cancelled.

2. Effective November 30, 1953:

(a) Work under the Amended Contract shall be suspended during the period beginning November 30, 1953, and ending not later than September 1, 1954.

(b) 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.

(c) The Operator at his 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.

3. The time fixed for the completion of the work is extended to February 13, 1955.

4. Annex IV attached hereto and made a part hereof is substituted for the provisions of Article 9 of the Amended Contract, in lieu of Annex III attached to Amendment No. 2.

5. It is of the essence of this Amended Contract that the work be resumed before the termination of the period

fixed for suspension; and if it is not so resumed in the manner required by the Amended Contract, the following provisions shall become effective:

(a) Effective November 30, 1953, the Amended Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

(b) The Government shall contribute to allowable costs incurred prior to said effective date; and shall contribute to allowable costs incurred or to be incurred beginning with said effective date in performing winding-up and settlement actions provided for in the Amended Contract, including (1) the preservation and disposal of property to the cost of which the Government has contributed, and (2) the making and rendering of reports and accounts.

(c) Any work or operations prosecuted or costs incurred by the Operator beginning with said effective date, except as otherwise provided in this termination agreement, shall be for the sole account of the Operator without contribution by the Government.

(d) The Operator shall promptly perform all winding-up and settlement actions provided for in the Amended Contract, including (1) the disposal of any facilities, buildings, fixtures, equipment, or other items to the cost of which the Government has contributed; and (2) the rendering of the final report and final account.

(e) The total net amount contributed by the Government shall be repayable in the form of a percentage royalty on any minerals mined or produced from the land described in Article 2 of the Amended Contract, in the manner and amount provided in the Amended Contract, certification of discovery or development being hereby waived.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute, nor the amount of any item designated as "allowable maximum."

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C O Mitchendy
Administrator, Defense
Minerals Exploration
Administration

Peter
R Johnson
Delbert

SILVER BAY MINES, INC.

By Ray Lilenquist
Pres.

AMENDED EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INC.
DOCKET NO. DMEA-487

SEP - 3 1954

ANNEX IV

The following provisions are in lieu of Article 9 :

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 the Operator has rendered the final report and final account, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

b. 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)ó 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,(for a period of ten years from the date of the contract)‡ or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first.

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

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* The "land" referred to is the land described in Article 2 of the Amended Contract.

ó The words "from the date of the contract" are changed to read "from the date of the Prior Contract (June 27, 1951)."

‡ The words "for a period of ten years from the date of the contract" are changed to read "for a period of twelve years from the date of the Prior Contract (June 27, 1951)."

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 raw 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 thereof 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 ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) 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 ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

f. 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.

g. 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.

h. 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 mining or production operations.

i. 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.

58694

670 Pearl Street, Apt. #7
Denver, Colorado
July 9, 1954.

Mr. W. H. King, Executive Director
Field Team, Region IV
224 New Customhouse
Denver, Colorado

Re: Docket DMEA 487
(Lead & Zinc)
Contract Idm-E26

Dear Mr. King:

We ask permission to recess operation on the subject contract from June 24 until September 1st, or before, due to the need for a survey to determine the direction in which the tunnel should be driven. The area of the present tunnel heading is highly shattered, and the several displacements of the mineralized zone make it impossible to determine probable location of the vein after reaching solid ground.

A survey will be made to tie in the downward projection of the Big Indian vein (where it is in solid ground) with the present tunnel. Then, diamond drill holes will be extended from the tunnel heading to the projected vein location.

We shall notify you as soon as it is planned to resume operations.

Respectfully submitted,

SILVER BAY MINES, INC.

By /s/ Alfred O. Brehmer
Agent for Silver Bay Mines, Inc.

No. 3

Rec'd 6/3/54

AMENDMENT OF CONTRACT: No. Idm-E26 Amended

Contract Docket No. DrEA 487, dated April 13, 1953, between the United States of America and Silver Bay Mines, Inc. is hereby amended as follows, effective May 1, 1954:

> Referring to "Amendment No. 2 to Amended Contract", item "1.", second line, change the date of "May 1, 1954" to read "July 1, 1954".

This amendment shall not be construed to increase the estimated total cost of the project, the amount of the Government's contribution, or any item of allowable cost which is expressly designated "allowable maximum".

Dated MAY 5 1954

SILVER BAY MINES, INC.

By Ray Lilienquist
Ray Lilienquist, President

UNITED STATES OF AMERICA

By W H King
W.H. King, Executive Officer
DrEA Field Team, Region IV

Seal

Docket Copy

EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INC.
DOCKET NO. DMEA-487

AMENDMENT NO. 2 TO AMENDED CONTRACT

It is agreed this 5th day of February, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Silver Bay Mines, Inc., that Amended Exploration Project Contract Idm-E26, Docket No. DMEA-487, as amended, is further amended, effective November 30, 1953, as follows:

1. During the period from November 30, 1953, to not later than May 1, 1954: (a) The project work shall be recessed; (b) the Government shall not contribute to any costs of operation or maintenance incurred by the Operator; and (c) the Operator shall save the Government harmless from any and all claims, and shall preserve and protect the project work and any property in which the Government has an interest. Moreover, after the project work is resumed, the Government will not contribute to any costs of rehabilitation or repair which are necessitated by reason of the recess of operations.

2. In Article 3 of the contract form, delete the date "October 31, 1953," and substitute the date "October 13, 1954."

3. The provisions of Annex III, attached hereto and made a part hereof, are substituted for the provisions of Article 9 of the contract form.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute, nor the amount of any item designated as "allowable maximum."

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. Mittendorf
Administrator, Defense Minerals Exploration Administration

SILVER BAY MINES, INC.

By Ray Lillquist
Pres.

Witness
Hartwell Chandler

EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INC.
DOCKET NO. DMEA-487

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
19 1954

ANNEX III

The following provisions are in lieu of Article 9:

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

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

(a) One and one-half ($1\frac{1}{2}$) percent of any such net amounts not in excess of eight dollars ($8.00) per ton.

(b) One and one-half ($1\frac{1}{2}$) percent of any such net amounts, plus one-half ($\frac{1}{2}$) percent of such net amounts for each additional full fifty cents ($0.50) by which such net amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such net amounts.

(For instance: the percentage royalty on a net amount of five dollars ($5.00) per ton, would be one and one-half ($1\frac{1}{2}$) percent; on a net amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

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

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

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

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

*** The period "eleven years" is substituted for the period "ten years."**

53651

DOCKET COPY

No. 1

AMENDMENT OF CONTRACT: No. IDM-E26 Amended

Contract Docket No. DMEA 487, dated April 13, 1953, between the United States of America and Silver Bay Mines, Inc., is hereby amended as follows, effective October 23, 1953:

> Referring to Article 3 of Amended Exploration Project Contract Form MF-200, delete the following: October 31, 1953. Insert in lieu thereof the following: November 30, 1953.

This amendment shall not be construed to increase the estimated total cost of the project, the amount of the Government's contribution, or any item of allowable cost which is expressly designated "allowable maximum".

Dated NOV 6 - 1953

SILVER BAY MINES, INC.

By Ray Lilengquist
Pres.

UNITED STATES OF AMERICA

By C Mittendorf
Administrator, Defense Minerals Exploration Administration

approved
Arthur Talbot

MF-200
(June 1951)
(Revised Feb. 1952)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 12 1953

DOCKET NO. DMEA 487

COMMODITY Zinc-Lead

Docket copy
IDM-E 26

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

AMENDED EXPLORATION PROJECT CONTRACT[1]

IT IS AGREED this 13th day of April, 1953 between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Silver Bay Mines, Inc., 1370 South 2nd West Street, Salt Lake City, Utah, a corporation duly organized and existing under and by virtue of the laws of the State of Colorado, hereinafter called the "Operator", as follows: and as set forth in Annexes I and II attached hereto and made a part hereof ~~hereinafter called the "Operator," as follows:~~

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of Colorado, County of San Juan, described as follows:[3] The Big Indian patented lode mining claim U. S. Survey No. 14325 in the Gladstone District

the Operator represents and undertakes:[4]

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

Accounts Payable (Miners' Suspense Accounts)--$6,595.98

~~(b) That the Operator is a lessee in possession ...~~

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

ARTICLE 3. *Exploration project.*—The Operator, ~~within~~ shall continue ~~days from the date of this contract shall commence~~ work on a project of exploration for[5] zinc-lead

in or upon the described land; and shall bring the project to completion ~~within~~ prior to October 31, 1953 ~~date of this contract~~. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps ~~or drawings~~ thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided.

ARTICLE 4. *Performance of the work.*—(a) *Operator's responsibility.* The work shall be performed efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmens' compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. To the extent specified in Exhibit "A," attached hereto, the work may be performed by independent contractor or contractors; and work not specified in Exhibit "A" for performance by independent contractor may nevertheless be so performed upon amendment of Exhibit "A," as agreed to by the parties, to state the work to be so performed and the estimated unit costs thereof, as provided hereafter.

(b) *Independent contracts.*—Any independent contract for the performance of work shall be on a unit-price basis (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, per cubic yard of material moved), or on some basis that will indicate the amount due for work performed at any stage of the work to be performed under such independent contract. The Government shall not be nor be considered to be a party to any such independent contract, and the Government's right to terminate the exploration project contract under any of its provisions shall not in any manner be affected by reason of any such independent contract. If the reference in Exhibit "A" to any such independent contract states that the Government's approval thereof is required, the Government may refuse to participate in the cost thereof unless and until it has given its written approval of the independent contract.

(c) *Government may inspect.*—The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 5. *Estimated costs of the project.*—A statement of the estimated cost of the project is set forth in Exhibit "A," attached hereto. Except insofar as any item of requirement or the estimated cost thereof set forth in Exhibit "A" is there or elsewhere designated as an "allowable maximum," such items of requirement and of related cost are estimates only, and may be exceeded to the extent that the Government may from time to time approve for the most economic and beneficial performance of the work within the limitation of the total aggregate estimate of costs. The Government's approval of any such excess over the estimate for an item of requirement or related cost will be signified by its approval and payment of any invoice or voucher for payment which expressly calls attention to such excess. Items expressly designated in Exhibit "A" or elsewhere as "allowable maximum," and the total aggregate estimated cost are limitations, and any excess therein will be for the sole account of the Operator in which the Government will not participate.

ARTICLE 6. *Allowable costs of the project.*—(a) The costs of the project in which the Government will participate are limited to the following: and also the costs referred to in Article 13

(1) *Independent contracts.*—Payments to independent contractors under independent contracts listed in Exhibit "A." The estimated cost of any work to be performed under an independent contract is or shall be included in the estimate of costs in Exhibit "A" in terms of the estimated numbers of units of work to be performed, the estimated amount to be paid per unit, and the estimated total amount to be paid to the independent contractor, and such estimates shall be allowable maximums above which the Government will not contribute. Regardless of the provisions of any such independent contract, the Government will participate in the payments to the independent contractor only on account of work actually performed and that conforms with the provisions of the 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 and necessary. No such independent contract shall have the effect of increasing the estimated total cost of the exploration project contract nor the maximum amount which the Government will pay as provided in the exploration project contract.

(2) *Labor, supervision, consultants.*—Labor, supervision and technical services (including engineering and geological consultants), a schedule of which is included in the estimate of costs set forth in Exhibit "A." The requirements and related estimated costs for supervision and technical services are allowable maximums.

(3) *Operating materials and supplies.*—Necessary materials and supplies including items of equipment costing less than $50.00 each, and power, water, and fuel, a schedule of which is included in the estimate of costs in Exhibit "A."

(4) *Operating equipment.*—Any operating equipment to be rented or purchased, or which is owned and will be furnished by the Operator, with the estimated rental, purchase price, or the allowable depreciation, as the case may be, a schedule of which is included in Exhibit "A." Any items listed as owned and to be furnished by the Operator, and related ~~initial~~ allowable depreciation, are allowable maximums.

(5) *Rehabilitation and repairs.*—Any necessary initial rehabilitation or repairs of existing buildings, installations, fixtures, and movable operating equipment, now owned by the Operator and to be devoted to the purposes of the exploration contract, a schedule of which is included in the estimate of costs set forth in Exhibit "A." These items are allowable maximums.

(6) *New buildings, improvements, installations.*—Any necessary buildings, fixed improvements, or installations to be purchased, installed, or constructed for the purposes of the exploration work, with the estimated cost of each, a schedule of which is included in the estimate of costs in Exhibit "A." All of these items are allowable maximums.

(7) *Miscellaneous.*—Repairs to and maintenance of operating equipment (not including initial rehabilitation or repairs of the Operator's equipment), analytical work, accounting, workmen's compensation and employers' liability insurance and payroll taxes.

(8) *Contingencies.*—Such other necessary, reasonable direct costs of performing the exploration work, within the limit of the total aggregate estimate of costs, whether or not included in any schedule of costs in Exhibit "A," as may be approved by the Government in the course of the work, as indicated by its approval and payment of invoices and vouchers.

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

(*b*) The Government's payments in all cases will be based on actual, necessary costs (including contract unit prices) incurred not in excess of any "allowable maximum," and not in excess of the fixed percentage of the total aggregate estimated cost. Costs will be considered to be incurred only as they are or become due and payable.

(*c*) No items of general overhead, corporate management, interest, taxes (other than payroll and sales taxes) or any other indirect costs, or work performed or costs incurred before the date of this contract, shall be allowed as costs of the project in which the Government will participate.

ARTICLE 7. *Reports, accounts, audits.*—(*a*) *Progress reports.* The Operators shall provide the Government with monthly reports of work performed and costs (including contract unit prices) incurred under the contract, in quintuplicate (five copies), upon forms provided by the Government. These progress reports shall be certified by the Operator, and shall constitute both the Operator's invoice of costs incurred on the project during the period covered by the report and his voucher for repayment by the Government, unless the Government requires the use of a standard voucher form with invoice attached. Progress reports shall include surface and/or underground engineering-geological maps or sketches showing the progress of the exploration, with assay-reports on samples taken concurrently with the advance in mineralized ground.

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

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

(*d*) *Accounts and audits.*—The Operator shall keep suitable records and accounts of operations, which the Government may inspect and audit at any time. The Government may at any time require an audit of the Operator's records and accounts by a certified public accountant, the cost thereof to be treated as a cost of the project. The Operator shall keep and preserve said records and accounts for at least 3 years after the completion of the project or the termination of this contract. Upon the completion of the project or termination of the contract the Operator shall render a final account as provided in Article 12.

ARTICLE 8. *Payments by the Government.*—(*a*) The Government will pay 50 percent of the allowable costs incurred, as they accrue, in an aggregate total amount not in excess of $15,300.00, which is 50 percent of $30,600.00, the agreed, estimated total cost of the project in which the Government will participate; *Provided,* that until the Operator's final report and final accounting have been rendered to the Government, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract.

(*b*) The Government may make any payment or payments direct to independent contractors and to suppliers, for the account of the Operator, rather than to the Operator.

ARTICLE 9. *Repayment by Operator.*—(*a*) If, at any time, the Government considers that a discovery or a development from which production may be made has resulted from the exploration work, the Government, at any time not later than 6 months after the Operator has rendered the required final report and final account, may so certify in writing to the Operator. The certification shall describe broadly or indicate the nature of the discovery or development. In the event of such certification, any minerals mined or produced from the land described in Article 2 within 10 years from the date of this contract, including any mined or produced before the certification, shall be subject to a percentage royalty which the Operator or his successor in interest shall pay to the Government, upon the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, until the total amount contributed by the Government, without interest, is fully repaid, or said 10 years have elapsed, whichever occurs first, as follows:

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

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

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

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

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

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

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

ARTICLE 11. *Title to and disposition of property.*—All facilities, buildings, fixtures, equipment, or other items costing more than $50.00 each, paid for or purchased with funds contributed jointly by the Operator and the Government, although title may be taken in the name of the Operator, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the completion of the work or the termination of the contract shall be disposed of promptly by the Operator 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 at a price at least as high as could otherwise be obtained, as may appear to be for the best interest of the Government, unless the Government, in writing, waives its interest in any such item. If necessary to accomplish such disposition, the Operator shall dismantle, sever from the land, and remove any such item, the cost thereof to be for the joint account of the parties in proportion to their respective interests. If the Operator, within 90 days after the receipt of written notice from the Government, fails, neglects, or refuses to dispose of such property, the Government may itself enter upon the land, take possession of, and remove and dispose of any such property as above provided.

ARTICLE 12. *Termination and completion.*—The Government may, at any time, by written notice to the Operator, terminate this contract: (*a*) If the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (*b*) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (*c*) if in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worth while discovery and in the opinion of the Government further operations are not justified. Upon the completion of the project or any termination of the contract the Operator shall dispose of any remaining materials, supplies, facilities, buildings, fixtures, and equipment in which the Government has an interest, for the joint account of the Operator and the Government in the proportion of their respective interests; shall render to the Government a full and final accounting of his operations under the contract and his expenditures of money; and shall pay to the Government its pro rata share of any money remaining.

ARTICLE 13. *Changes and added provisions.* To the extent that costs are set forth in Exhibit "A" as agreed unit costs, they are in lieu of the actual costs of the project as provided in Article 6(a) of the contract form.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C O Mittendorf
Administrator, Defense Minerals Exploration Administration

SILVER BUY MINES, Inc.
(Operator)

By Ray Lilenquist

I, Newell L. Lilenquist, certify that I am the secretary of the corporation named as Operator herein; that Ray Lilenquist, who signed this contract on behalf of the Operator, was then President 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.

Newell L. Lilenquist

[CORPORATE SEAL]

EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INCORPORATED
DOCKET NO. DMEA-487

ANNEX I

Materials and Supplies: For the purpose of determining the Government's interest in materials or supplies remaining upon any termination of the work, they shall be considered in groups or categories (such as pipe, or explosives, or rails, or drill steel), and if the original cost of the remaining unexpended portion of any such group or category exceeded $50, the Government shall have an interest therein as provided in Article 11 of the contract form.

Equities in Equipment: Unless expressly permitted by provisions in Exhibit "A", the Operator shall not procure equipment or any other item under a rental-purchase agreement, an installment-purchase agreement, any agreement which creates or builds up an equity or interest in the thing procured which can be converted to legal title only by further payment or some other consideration, or any agreement other than for straight rental or cash purchase and delivery.

Preservation of Property: Until the final disposal of any equipment or other property in which the Government has an interest or equity, the Operator shall preserve and protect same for the mutual best interests of the parties, any reasonable and necessary cost thereof to be treated as an allowable cost of the exploration work to which the Government will contribute.

EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INCORPORATED
DOCKET NO. DMEA-487

ANNEX II

WHEREAS, the parties to this amended agreement are also parties to Contract I-DMA-E26, dated June 27, 1951, executed on Form MF-200 (April 1951), as heretofore amended, hereinafter called the Prior Contract; and

WHEREAS, work under the Prior Contract was suspended on or about October 26, 1952; and since that date the Operator has drifted on the Big Indian Vein 79.5 feet more than specified in the Prior Contract but for the cost of this additional drifting, he is to receive no contribution whatsoever from the Government; and

WHEREAS, the parties desire to alter and add to the work provided for in the Prior Contract and to restate their agreement;

NOW THEREFORE, it is mutually agreed that:

1. This amendment shall be effective as of June 27, 1951.

2. The Prior Contract is amended and superseded by this amended contract which shall control the Government's claim and lien for percentage royalty and in which all the rights and obligations of both parties are fully merged except that vouchers and claims for the Government's contribution for the work described in and performed under the Prior Contract and payment thereof shall be as therein provided.

3. The Operator hereby releases and agrees to save harmless the Government from all claims and demands arising out of the Prior Contract except as otherwise herein provided.

4. The description of the work, including the additional work to be performed and costs thereof and the costs of the entire project and the Government's participation therein, shall be as stated in Exhibit "A" Amended, attached hereto and made a part hereof.

EXPLORATION PROJECT CONTRACT
SILVER BAY MINES, INCORPORATED
DOCKET NO. DMEA-487

EXHIBIT "A" AMENDED

Description of the Work

As indicated on the map attached hereto and made a part hereof and entitled "Blackhawk Mine, San Juan Co. Colo., Brunton Compass Survey-WWB-1952," the work shall be performed in two stages.

STAGE I

Crosscut from the present heading of Blackhawk Tunnel a distance of 329.5 feet to the intersection of the Big Indian Vein. Drift north or easterly on the Big Indian Vein a distance of 86.5 feet.

STAGE II

Continue the drift on the Big Indian Vein north-easterly a distance of 200 feet from the point indicated on the aforesaid map by the words "End of work-1952." 1/

Estimated Costs of the Project
(*Indicates allowable maximum)

Actual Costs

STAGE I

(1) Independent contracts

None

(2) Labor, supervision, consultants

Labor

Schedule waived	$9,551.00

Supervision

One foreman for 5 mos. @ $250.00/mo.*	1,250.00*

1/The drift shall be in cross section of a minimum size of 5 x 7 feet in the clear.

Consultants

Engineers and geologists--schedule waived	$ 750.00*	$11,551.00

(3) Operating materials and supplies

Schedule waived		6,225.00

(4) Operating Equipment

To be rented

210 cu. ft. compressor, 5 mos. @ $200.00/mo.	1,000.00	
Mucking machine, 5 mos. @ $150.00/mo.	750.00	
Drill machine, hoses, bars, 5 mos. @ $100.00/mo.	500.00	
Air locomotive, 5 mos. @ $150.00/mo.	750.00	
	3,000.00	

To be purchased

6 - 18 cu. ft. mine cars	724.00	3,724.00

(5) Rehabilitation and repairs

None

(6) New buildings, improvements, installations

None

(7) Miscellaneous

None

(8) Contingencies

None

Total Actual Costs of Stage I $21,500.00*

Agreed Unit Costs

STAGE II

200 feet of drift @ $45.50/ft.	$ 9,100.00

The Government will contribute to the cost of the above drifting per foot on the basis of the above agreed estimated unit costs per foot as they accrue for units of work actually performed in lieu of actual costs. These unit costs will include all costs of the work except those scheduled below to which the Government will contribute on the basis of actual costs. Work to the costs of which the Government will contribute on the basis of agreed, estimated unit costs may be performed by independent contracts and contractors without reference to the provisions relating to independent contracts and contractors in Articles 4(a), 4(b), and 6(a)(1) of the contract form.

S U M M A R Y

Total Estimated Actual Costs of Stage I	$21,500.00*	
Total Agreed Estimated Unit Costs of Stage II	9,100.00	
Total Estimated Cost of Project		$30,600.00*
Government Participation @ 50%		$15,300.00*

LARGE FORMAT DOCUMENTS AT END OF FILE

No.

AMENDMENT OF CONTRACT: No. I-DMA-E26

Contract Docket No. DMA 487X, dated June 27, 1951, between United States of America and Silver Bay Mines, Incorporated, is hereby amended as follows, effective as of the date of said Contract:

> Referring to Article "3. Exploration Project" of Exploration Project Contract Form MP-200, following the words "all properly designed to bring the project to completion within a period of," delete "6 months" and in lieu thereof substitute "18 months".

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may pay or the percentage of the costs which the Government may pay under the provisions of Article 11 of the contract form.

Dated June 18, 1952.

SILVER BAY MINES, INCORPORATED

By Ray Lilenquist

UNITED STATES OF AMERICA

By W. H. King
Executive Officer, DMEA

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 27 1951

Docket No. DMA 487
Silver Bay Mines, Incorporated
Exploration Project Contract
I-DMA-E26

A M E N D M E N T

It is agreed this 24th day of August, 1951 between the United States of America, acting through the Department of the Interior, Defense Minerals Administration and the Silver Bay Mines, Incorporated, a corporation organized and existing under the laws of the State of Colorado and having its principal place of business at 1370 South 2nd West Street, Salt Lake City, Utah, each acting in consideration of the agreement of the other to the terms hereinafter set forth, that the Exploration Project Contract, DMA-487X of June 27, 1951 between the parties hereto, be modified and amended as follows, effective as of said date of said Exploration Project Contract:

1. In Exhibit "D" under the heading "Supervision," delete the parenthetical provision, "(pro rata time to exploration)."

2. In Exhibit "D" under the heading "Supervision," delete the figures "$150.00" and "$750.00" and substitute "$250.00" and "$1,250.00" respectively.

Executed in sextuplicate the day and year first above written.

Ray Lilienquist
Silver Bay Mines, Inc.

C O Mettendorf
Director, Production Expansion Division
Defense Minerals Administration

MF-200
(April 1950)

Docket No. DMA 487 X
Commodity Zinc-Lead

I-DMA-E26

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

EXPLORATION PROJECT CONTRACT [1]

It is agreed this 27th day of June, 1951, between the United States of America, acting through the Department of the Interior, Defense Minerals Administration, hereinafter called the "Government," and [2] Silver Bay Mines, Incorporated
1370 South 2nd West Street
Salt Lake City, Utah

hereinafter called the "Operator," as follows:

1. *Authority for contract.* This agreement is entered into under the authority of the Defense Production Act of 1950, pursuant to Mineral Order 5, entitled "Regulations Governing Government Aid in Defense Exploration Projects."

2. *Operator's property rights.* The exploration project shall be conducted on that certain property situated in the State of Colorado, County of San Juan described as follows: [3] Patented Lode Mining Claim, Gladstone District, San Juan County, as follows: Work will commence inthe Big Indian Claim, U. S. Survey 14325, and will be confined to that claim.
with respect to which the Operator represents and undertakes: [4]

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

Accounts Payable (Miners' Suspense Accounts) — $6,595.88

~~(*b*) That he is a lessee, in possession and entitled to possession, and the subordination agreement of the lessor is attached.~~

3. *Exploration project.* The Operator, within 30 days from the date of this contract shall commence work on a project of exploration for [5] Zinc-Lead ores; shall prosecute the work efficiently, expertly, in a workmanlike manner, in accordance with good mining standards, with suitable and adequate equipment, materials, and labor, all properly designed to bring the project to completion within a period of [6] 6 months from the date of this contract. The exploration project and the work to be performed are more fully described on Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, is made a part of this contract.

4. *Performance of the work.* The work shall be performed by the Operator, under his sole direction and control: *Provided,* That with the consent of the Government and its written approval of the contract or contracts, all or any part of the work may be performed by the Operator through contract or contracts with independent contractors. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

5. *Fixtures and improvements.* The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof. Attached hereto, marked "Exhibit 'B'," is a detailed list of additional facilities, buildings, and fixtures, to be purchased, installed, or erected by the Operator, with the estimated cost of each, to which the Government will contribute its agreed pro-rata share of the cost. The difference between the cost of such additional facilities, buildings, or fixtures, and the salvage value thereof at the conclusion of the work, shall be charged as a cost of the project to which the Government has contributed its pro-rata share.

6. *Operating equipment.* Attached hereto, marked "Exhibit 'C'," is a detailed list of operating equipment divided into categories of items to be rented, purchased, or furnished by the Operator, with the allowable rental, purchase price, or rental value, as the case may be, annexed to each. As to equipment purchased for the project, the Government will contribute its agreed pro-rata share of the cost thereof, and the difference between the cost and the salvage value at the conclusion of the work shall be charged as a cost of the project to which the Government has contributed its pro-rata share.

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] State name, address, and nature of organization if any.
[3] Give legal description or enough to identify the property.
[4] Strike out the provision not applicable.
[5] Name of mineral.
[6] Not in excess of 2 years.

7. *Title to and disposition of property.* All facilities, buildings, fixtures, equipment, or other items costing more than $50 each, paid for or purchased with funds contributed jointly by the Operator and the Government, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the termination of the contract, if they have any salvage value, shall be disposed of for their joint account unless the Government, in writing, waives its interest in any such items. The Government may require the dismantling, severance from land, and removal of any such items in order to realize its interest in the salvage value thereof, and the cost of any such removal and of the disposal of the items shall be for the joint account of the parties in proportion to their respective interests.

8. *Labor and supervision.* Attached hereto, marked "Exhibit 'D'," is an itemized schedule of labor, by numbers and classes (miners, muckers, millmen, etc.), and of supervisors, by numbers and positions, with the maximum wages or salaries that may be paid to each as an allowable cost of the project.

9. *Rehabilitation and repairs.* Attached hereto, marked "Exhibit 'E'," is a detailed schedule of existing facilities, buildings, installations, and fixtures, with a statement of the cost of any necessary rehabilitation or repairs to put into useful and operable condition, which cost shall be allowed as a cost of the project.

10. *Allowable costs of the project.* The allowable costs of the project in which the Government will participate are limited to the necessary, reasonable, direct costs of performing the exploration work, including the costs of materials, supplies, engineering, power, water, and utilities, including items of equipment costing less than $50 each; and the costs referred to in Articles 5, 6, 8, and 9, and the exhibits annexed to and referred to in the contract. Although the Government may pay part of the cost of new or additional facilities, structures, buildings, and equipment, only the depreciation on such items, computed as indicated in Articles 5 and 6, will be charged as a cost of the project. No items of general overhead, corporate management, interest, or any other indirect costs not expressly allowed by these regulations, or work performed or costs incurred before the date of this contract, shall be allowed as costs of the project in which the Government will participate.

11. *Participation by the Government.* At the end of the first full calendar month after the Operator has commenced work under the project, and at the end of each succeeding calendar month, the Operator shall submit to the Government a voucher for payment with a detailed statement of work done and allowable costs (as defined in Article 10 of this agreement) incurred, in a form and with supporting data acceptable to the Government. After approving the voucher, the Government shall pay to the Operator 50 percent of the sum of such costs incurred; *Provided,* That the aggregate total of all sums paid by the Government under this agreement shall not exceed $10,750.00, which is 50 percent of the agreed estimated total cost of this project, $21,500.00.

12. *Accounts and audits.* The Operator shall keep suitable records and accounts of operations, which the Government may inspect and audit at any time. The Government may at any time require an audit of the Operator's records and accounts by a certified public accountant, the cost thereof to be treated as a cost of the project. The Operator shall keep and preserve said records and accounts for at least 3 years after the completion of the project or the termination of this contract.

13. *Progress reports.* The Operator shall provide the Government with monthly reports of progress in form and content satisfactory to the Government, and upon the completion of the project or termination of the contract shall provide the Government with a comprehensive geologic and engineering report, including an estimate of ore reserves, to the best of his ability. Four copies of all reports shall be furnished to the Government.

14. *Repayment by Operator.* If, upon the completion of the exploration project or termination of the contract, the Government considers that a discovery or development has resulted from the work from which commercial production of ore may be made, the Government, within 6 months thereafter shall so certify to the Operator, particularly describing and delimiting its estimate of the discovery or the development. Thereafter, if and as ore is produced as a result of such discovery or development, the Operator and his successor in interest shall be and become obligated to pay to the Government a percentage royalty on the net smelter returns or other net proceeds realized from such ore, concentrates, or metal produced within ten (10) years from the date of this contract, until the total amount contributed by the Government, without interest, is fully repaid or said 10 years have elapsed, whichever occurs first, as follows:

Of net smelter returns or other net proceeds not in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent.

Of net smelter returns or other net proceeds in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent, plus one-half (½) percent additional for each full fifty cents ($0.50) in excess of eight dollars ($8.00) per ton of ore, but not in excess of a maximum of five (5) percent.

This obligation to repay from net returns or proceeds shall be and remain a claim and lien upon the property which is the subject of the exploration project and upon any production resulting from such discovery or development, in favor of the Government, until fully paid, or until said 10-year period has elapsed; and this claim and lien and the Government's right to repayment shall survive any termination of the contract, whether by completion of the exploration project or otherwise. This article is not to be construed as imposing any obligation on the Operator or his successor in interest to produce ore from any such discovery or development.

15. *No assignment of contract.* Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder.

16. *Termination and completion.* The Government may, at any time, by written notice to the Operator, terminate this contract: (*a*) If the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (*b*) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (*c*) if in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worthwhile discovery and in the opinion of the Government further operations are not justified. Upon the completion of the project or any termination of the contract the Operator shall render to the Government a full and final accounting of his operations under the contract and his expenditures of money; shall dispose of any unused materials, supplies, and equipment for the joint account of the Operator and the Government in the proportion of their respective interests; and shall pay to the Government its pro-rata share of any money remaining.

Executed in triplicate the day and year first above written.

Silver Bay Mines, Incorporated
(Operator)

By Pat Lilenquist
Pres.

THE UNITED STATES OF AMERICA

By [signature]
Administrator
Defense Minerals Administration

U. S. GOVERNMENT PRINTING OFFICE 16—64066-1

C C
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Y

Docket No. DMA-487 (Zinc-Lead)
Silver Bay Mines, Incorporated
1370 South 2nd West Street
Salt Lake City, Utah

EXPLORATION PROJECT CONTRACT

EXHIBIT "A"

Exploration Project:

The approved project is as follows:

Crosscut from present heading of Blackhawk tunnel to intersection of Big Indian vein - 150 ft. @ $12.50 per ft. (contract) -	$ 1,875.00
Drift 300 ft. each way on Big Indian vein - 600 ft. @ $12.50 per ft. (contract) -	7,500.00
Rental of equipment	3,000.00
Purchase of six 18 cu. ft. mine cars @ $150.00 ea.	900.00
Supplies	6,225.00
Supervision	1,250.00
Engineering and Geology	750.00
Total cost of project.	$21,500.00

EXHIBIT "B"

Fixtures and Improvements:

Any additional facilities, buildings and fixtures to be purchased, installed or erected by the Operator shall not be charged as a cost of the project.

EXHIBIT "C"

Operating Equipment:

Rented:

210 cu. ft. compressor, 5 mos. @ $200.00 per month	$ 1,000.00
Mucking machine, 5 mos. $ 150.00 per month	750.00
Drill machine, hoses, bars, 5 mos. @ $100.00 per month	500.00
Air locomotive, 5 mos. @ $150.00 per month	750.00
Total	$ 3,000.00

Purchase:

6 mine cars @ $150.00 each	$ 900.00

- C O P Y -

EXHIBIT "D"

Labor and Supervision:

Labor will be contracted at $12.50 per ft. for 750 ft. $ 9,375.00

Supervision:

1 foreman for 5 mos. @ $150.00 per month (prorata time to exploration) - 750.00

EXHIBIT "E"

Rehabilitation and Repairs:

Any rehabilitation and repairs of existing facilities, buildings, installations and fixtures shall not be charged as a cost of the project.

Park City, Utah -- June 23 1951

This is to certify that we have received settlement, in full, from the Silver Bay Mines Inc. for all claims for labor performed to date.

Neil Gordon

Robert Richardson

W.C. Richardson

This is to certify that the undersigned, C. V. Lilenquist, witnessed the signature above.

C. V. Lilenquist

C. V. Lilenquist

Subscribed and sworn to before me by C. V. Lilenquist this 24th day of June 1951.

Margaret N Engle

Notary Public

My commission expires July 19, 1953

LARGE FORMAT DOCUMENTS AT END OF FILE

Form MF-100
(March 1951)

U. S. DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Form approved.
Budget Bureau No. 42-R1026.

GENERAL TECHNICAL DATA
FOR USE UNDER THE
DEFENSE PRODUCTION ACT OF 1950

NOT TO BE FILLED IN BY APPLICANT

Docket No. dma 487 X

Date received 5-14-51

Silver Bay Mines, Inc. DMA-487
San Juan County, Colorado.
Present mailing address:
1370 South 2nd West Street,
Salt Lake City, Utah

Name and address of applicant

Date May 9, 1951

INSTRUCTIONS

This form is to be filed with Defense Minerals Administration, Department of the Interior, Washington 25, D. C. It should be accompanied by appropriate application form when a specific type of Government assistance is requested, in the form of (1) loan, (2) purchase contract, (3) Government guarantee of a private loan, (4) Necessity Certificate pursuant to the provisions of Sec. 124–A (Amortization Deduction) of Internal Revenue Code, 1950, (5) priorities or allocation of mining equipment, and maintenance, repair and operating supplies, and (6) other forms of Government assistance that might arise under the Act. Submit four (4) signed copies of the form and accompanying papers. Name and address should be stamped or typed on each sheet of this form and all accompanying papers. *When a question is inapplicable it should be so stated on the form.* Additional sheets may be attached in answering any questions or in supplying additional information. (IF YOU CANNOT ANSWER A QUESTION, SO STATE.) If a question is answered elsewhere indicate where answered. It is not necessary to answer it again.

GENERAL TECHNICAL DATA

Supply the following information on separate sheets, arranged, numbered, and lettered as indicated:

1. Materials produced:
   (*a*) What are the chief mine, mill, or smelter products?
   (*b*) What are the byproducts, if any?
2. Name(s) and type(s) of mine(s), mill(s), smelter(s), refinery(ies), pit(s), quarry (ies), drilling operation(s). Include old names of property, if any. Show extent of workings, including the following:
   (*a*) Linear feet of shafts.
   (*b*) Linear feet of drifts and crosscuts.
   (*c*) Linear feet of tunnels or adits.
   (*d*) Linear feet of other mine openings (explain briefly).
   Indicate whether mine is flooded or not. Describe any pumping problems. Give size or productive capacity.
3. For each operation listed above supply the following:
   (*a*) Distance and direction from nearest town and shipping point.
   (*b*) Mining district.
   (*c*) Township, Section, Range.
   (*d*) County, State.
4. (*a*) State whether or not property is now in operation, and if in operation, by whom operated.
   (*b*) Are you operating this property as:
   - [x] Owner.
   - [ ] Lessee.
   - [ ] Contractor.
5. Number of years in production one.
   If not in production or operation, estimated date when production will begin _____
6. Experience of operators:
   Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who manage the project.
7. History:
   (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for suspension of operation.
   (*b*) State briefly the known history and production of adjoining and neighboring properties.
   (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.

16—63792-1

J

8. Names and addresses of Officers, Directors, or Partners, and in addition thereto, the five largest stockholders if applicant is a corporation.

Name and Address (a)	Official Title (If officer is also director indicate by "D") (b)	Total of Annual Salary, Commissions, Bonuses, Etc., Received From Applicant and Affiliates During Last Fiscal Year (c)	Estimated Net Worth Outside of Interest in Applicant (d)	Number of Shares Held in Applicant Corporation: Common (e)	Number of Shares Held in Applicant Corporation: Preferred (f)	Life Insurance Carried for Benefit of Applicant: Amount (g)	Life Insurance Carried for Benefit of Applicant: Net Cash Surrender Value After Loans (h)
W.E.Lilenquist, 710 Empire Bld. Des Moines, Ia	(D)	none		9,784	0	none	
Rowland Carmack Bayfield, Colo.	(D)	none		6,749	0	none	
Ray Lilenquist Salt Lake City, Utah.	Pres. & (D)	none		5,115	0	none	
A.Fred Dipo Salt Lake City, Utah.	V.P. & (D)	none		3,512	0	none	
Newell Lilenquist Tremonton, Utah .	Sec. &(D)	none		3,512	0	none	
	Total		x x x x x	28,672		x x x x x	x x x x x

If more lines are needed continue on separate sheet.

9. Capital Stock Issues:

For Corporate Applicants

Item	Authorized (a)	Outstanding (b)	Par Value (c)	Number of Shares Outstanding (d)	Dividend Rate Last Paid* (e)
Common stock	$41,323	$ 41,323	$ 1.00	41,323	0
Preferred stock	$	$	$		

*Indicate period covered.

10. Production:

Item	Kind of Product (a)	1948 Total (b)	1949 Total (c)	1950 Total (d)	Present Average Monthly (e)
1. Quantity of product mined or quarried (Short, long, metric tons; barrels; pounds; etc.)	short tons lead-zinc ore	0	0	276	0
2. Quantity of product processed (specify unit of measure and type of process)		none			
3. Quantity and grade of product sold or shipped (specify units of measure)		average assay		3.5% lead/ton 7.0% zinc/ton	

11. Do you contemplate a change in the present average monthly rate of production? If so, state estimated maximum monthly production and basis of change. no production at present.

12. Ore or Mineral Reserves:

(a) Describe the ore or mineral deposit briefly. Accompany the application by any available report on the geology and ore reserves.

(*b*) If deposit is other than placer:

(1) Submit assay plans and/or sections showing location and size of proved (measured) and probable (indicated) ore or mineral reserve.

(2) State the tonnage (indicate type of ton) and grade of each class of ore reserve, as above, and show how computed. Tabulated total ore reserve as follows:

TOTAL ORE OR MINERAL RESERVES

Ore or Mineral Reserve	Estimated Tons (a)	Metal or Mineral Content Per Ton (Grade) (b)	Gross Value Per Ton (c)	Recoverable Unit Value Per Ton (d)	Estimated Cost of Production Per Ton (e)
Measured (proved)	2,700	4.1 %Pb 6.8 %Zn			
Indicated (probable)	9,000	4.0% Pb 10.0% Zn			

(*c*) If placer:

(1) Give estimated total yardage and average marketable mineral content of each deposit.

(2) Submit map showing location of placer deposit and surrounding area, with all test holes or pits. Submit logs of each hole and test pit with depth and average value of each.

(3) Describe gravel, stating whether fine, medium or coarse; loose, tight, cemented, or frozen, and whether it contains stumps or boulders more than 1 foot in diameter; if so, how large, and in what proportion.

(4) Describe bedrock, giving type (granite, sandstone, shale, etc.) and state whether it is hard or soft, smooth, uneven or rough.

(5) Describe overburden, stating whether loose, tight, or cemented; fine or coarse textured; furnish estimate of average thickness and total amount.

(6) Tabulate the reserves using the form outlined above for ore or mineral reserves.

13. Access Roads:

Give road distances to shipping, supply and residence points, stating kind and condition of roads.

14. Water Supply:

State source and quantity of water available for operations and whether sufficient for all seasons of year.

15. Power:

State amount of power used, rate per hour, and source thereof.

16. Labor:

State number and classes (miners, muckers, millmen, etc.) of men employed during a recent representative payroll period.

17. Equipment and Facilities:

Describe present equipment on the property, including buildings. (State condition.) List major pieces of equipment now owned or controlled and in serviceable condition available for this operation.

18. Are there any particular conditions or circumstances affecting your operations that are not described above? If so, explain.

CERTIFICATION

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

Silver Bay Mines, Incorporated
(Name of company)

By Ray Lilenquist
(Signature of authorized official)

May 10, 1951
(Date)

Pres.
(Title)

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.

U. S. GOVERNMENT PRINTING OFFICE 16—63792-1

Supplementary Data Sheet, D M A Form MF-100.

Silver Bay Mines, Inc., Salt Lake City, Utah. DMA-487.

1. Materials Produced:
   (a) Chief mine product is zinc and lead ores. Zinc values dominate.
   (b) Small amount of silver ore is found in the mine.

2. Silver Bay Mines is consolidation of old Blackhawk and Occidental mines, Gladstone district, San Juan County, Colorado, 12 miles NE of Silverton.
   (a) No shafts in either property.
   (b) Blackhawk mine has 200 feet of drifts and crosscuts. None in Occidental.
   (c) Blackhawk tunnel-adit is approximately 700 feet long. Occidental tunnel-adit is about 1200 feet long. This is called the Lower Occidental tunnel. An upraise, 435 long connects this tunnel with the Middle Occidental tunnel (now largely caved).
   (d) A small amount of stoping was performed above the tunnel level in the Blackhawk mine. Also, a very small amount in the Occidental. No pumping is required in either mine.

3. (a) Properties are located 1½ miles south of the old town of Gladstone, San Juan County, Colorado. Nearest shipping point is Silverton, located 12 miles to the southwest.

   (b) Gladstone.

   (c) Section 21, T. 42 N, R. 27 W., New Mexico Base and Meridian.

   (d) San Juan County, Colorado.

4. (a) Operations were temporarily suspended in January, 1951.
   (b) Operated by owner.

5. Number of years in production one.

6. None of the officers or directors actively participate in the management at the mine. Officers and directors have diversified business interests. One owns a farm machinery and equipment establishment in Bayfield, Colorado. Another has a similar business in Tremonton, Utah. Two own and manage one of the largest trucking firms in the west. During 1948 and 1949, direction of the rehabilitation work at the property was largely in the hands of the miners contracting the work. At present, men at the mine are supervised by Joe Powell of Silverton, a skilled leaser and mine operator. Geological and engineering work is directed by John Kasteler of Crested Butte and Silverton, Colorado. Mr. Kasteler is the discoverer and developer of the

Keystone Mine at Crested Butte, now being jointly operated by American Smelting and Refining Co., and Park City Cons. company, and is familiar with the San Juan area. He was formerly employed by U. S. Smelting Refining and Mining Co., operators of the adjoining Sunnyside Mine at Eureka, Colorado.

7. (a) The Blackhawk and Occidental mines were initially worked in a period between 1890 and 1911, at which time gold and silver ores were sought in the Gladstone area. During this time, there were large operations being conducted 1½ miles north of the Blackhawk mine--notably at the Gold King mine. As only lead-zinc ores were found, however, operations at the Blackhawk and Occidental ceased in 1911 and the properties were idle until 1948. During 1948, several Colorado and Utah individuals, purchased 15 patented lode mining claims, obtained options on other claims and proceeded to rehabilitate the Blackhawk and Occidental properties. This work continued until the Fall of 1949, at which time the Blackhawk tunnel was advanced 210 feet in an effort to cut the downward extension of the Big Indian vein. Lack of finances shut this work down in December of 1949. Work was again resumed in July, 1950. Between July and October, 1950, the tunnel was advanced 320 feet. Lack of finances again forced shutdown of drifting work. The crews were laid off and given leases on ore shoots found along the course of drifting on Blackhawk vein. Shipments were 201 dry tons.

Work in the Occidental property has been confined to rehabilitation and a small amount of stoping performed during August and September, 1950. Seventy five (75) tons of ore was mined here. Shipments of ore were made when metal prices were still quite low and insufficient profit was realized to sustain the leasers. The property was again shut down in January, 1951.

(b) The Blackhawk and Occidental properties are completely circled by large producing mines. To the south is the Shenandoah-Dives and many other large mines situated on the Main Fork of the Animas River. To the northwest and northeast are all the Red Mountain properties that are now being so actively acquired by the larger mining interests, the old Gold King, Lead Carbonate, and large Sunnyside mine. Smaller properties lie to the west. Production from these mines aggregates several hundred million dollars.

(c) A complete geological and exploration report accompanied the original request for Federal assistance and is now with the DMA in Washington.

12. (a) The principal objective of the Silver Bay company is to intersect the Big Indian vein on the Blackhawk tunnel level. However, some ore was encountered in driving this tunnel along the course of the Blackhawk vein. This vein strikes about N. 40 E. and dips 60 degrees to the northwest. The first 230 feet of this tunnel was driven between 1890 and 1900 and shows considerable leaching and oxidation. The vein through this distance shows a large quartz zone, highly oxidized in places, and carrying zinc sulphide in varying amounts. Good, sulfide ore is found in the floor of the drift where oxidizing action was minimized. At the end of this distance, the map shows a full 6 feet of zinc ore going out into the wall of the tunnel. The tunnel was turned at this point on a course right angles to the Big Indian vein and continued for an added 470 feet.

The Big Indian vein strikes N. 58 degrees west and dips 60 degrees to the northeast, and is considerably stronger than any vein in this immediate area. The amount and thickness of quartz is good. In several pits dug along the course of the vein just north of the Blackhawk tunnel-portal, there are piles of high-grade zinc ore. The Big Indian vein has been traced on surface for several miles. Southeast of the Blackhawk, this vein is observed to carry considerable Rhodonite (MnSiO) along its surface outcrop.

In the Occidental tunnel there is a shoot of ore 125 feet long that is believed to extend upward to the middle tunnel level--a distance of 425 feet long.

(b)(1)(a) On the accompanying map there is a point shown where 176 tons of ore was mined during 1950. Here is a strike length of ore measuring 80 feet that is not too badly oxidzed. It is expected that this ore can be mined upward 50 feet before it will become oxidized and that the grade will be roughly that mined last summer. This ore mined to a thickness (width) of 6 feet assayed 4.0 ounces silver, 4.0 % lead and 7.2% zinc per ton.

Going 50 feet above the level.....$50 \times 80 \times \frac{6}{10}$ --- 2400 tons of above grade ore could be mined.

12. (2) Near the portal of the Blackhawk tunnel is shown a small stope from which a small shipment was sent to the mill (24 ton). This ore assayed 4.35% lead and 4.65 % zinc per ton. This ore is expected to go 20 feet above the level before it is oxidized.

Over a 50 foot length and a 3 foot width, this zone will yield:

$$50 \times 3 \times \frac{20}{10} \text{ --- } 300 \text{ ton}$$

Going below the Blackhawk tunnel level is a five foot width of ore 180 feet long. If this ore continued 100 feet below the level there would be a probable tonnage of:

$$180 \times 100 \times \frac{5}{10} \text{ ------ } 9{,}000 \text{ tons of ore assaying}$$

4 % lead and 10 % zinc per ton.

The amount of ore in the Occidental mine is not considered in this phase of the Loan application

Thus, there is 2,700 tons of measured ore, assaying 4.1% lead, 6.8% zinc.

Probable ore estimate is 9,000 tons " 4.0% lead, 10% zinc.

13. Mine is located 12 miles northeast of Silverton. Road follows Cement Creek for a distance of 10 miles and is good. Last 2 miles are steep, winding mountain road.

14. Ample water at property from one small stream and several springs.

15. Power line is two miles distant. No power used at the mine.

16. During previous operation two men were employed on each shift in driving the tunnel. Two shifts per day would require 4 men for tunnel work. Two men were used in the stope at the Occidental mine. Tunnel workers are all employed as miners. Usually both men alternate in running the mucking machine and hauling out the rock with the air motor that is available. Then both concentrate on the drilling until the round is completed and blasted.

17. Equipment and Facilities available at the property for immediate use in prosecuting proposed work:

1. One CP Portableair compressor. Rubber tires, gas-driven engine, 210-cubic foot capacity.

2. One Gardner-Denver mechanical loader.

3. One " " D89B automatic 3½ inch Leyner, with column bars (2) some drill steel and bits, also wrenches, air and water hose, water tanks and line oilers.

4. One Gardner Denver S55 Jackhammer, steel and bits.

5. One Cp stoper, 100 lb.

6. 4, Mine cars and one, air locomotive.

7. Willys Jeep and 4x4 Dodge army pickup.

8. One toolhouse shed and compressor house.

9. Two ore bins.

18. The mine is located in heavy snow country and sometimes during February and March there are severe storms that make operations difficult. However, the road is usually kept open to the adjacent Lead Carbonate mine and it is believed that not too much time would be lost in an all-year operation.

Form MF-103
(April 1951)

U. DEPARTMENT OF THE INTERI
DEFENSE MINERALS ADMINISTRATION

Budget Bureau No. 42-R1035.
Approval expires 6-30-51.

APPLICATION FOR AID FOR AN EXPLORATION PROJECT PURSUANT TO MINERAL ORDER 5, UNDER DEFENSE PRODUCTION ACT OF 1950

DO NOT FILL IN THIS BLOCK

Docket No. dma 487 X

Date received 5-14-51

Participation

Silver Bay Mines, Inc., DMA-487
San JUan County, Colorado.
Present Mailing address:
1370 South 2nd West St.,
Salt Lake City, Utah.

Name and address of applicant

Date May 10,1951.

FILL IN THIS BLOCK

Date of application May 10, 1951

Estimated cost $21,700.00

Mineral or metal zinc and lead

Percentage of Government participation 50 percent

Location of mine 12 miles NE of Silverton, San Juan County, Colorado.

Date of filing MF-100 concurrent with MF-103

DMA Docket Number, if available DMA-487

INSTRUCTIONS

Read Mineral Order 5, Regulations Governing Government Aid in Defense Projects, before completing this application. Submit four signed copies of the application to Defense Minerals Administration, Department of the Interior, Washington 25, D. C., or to the nearest field executive officer thereof, with your name and address on each sheet of the application and all accompanying papers. If any question is inapplicable, or if you cannot answer it, so state on the form. Where the space provided for answer is insufficient, answer on a separate sheet, annex it to the application form, and refer to it in space for answer. If the application is approved, you will be presented with an exploration project contract on Form MF-200, for your signature.

THE APPLICANT

*1. Is applicant an individual, partnership, or corporation?
*2. If a partnership, state names and addresses of partners.
*3. If a corporation, state names and addresses of officers, directors, and five largest stockholders.
*4. Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who will manage the project.
*5. Are you the owner or the lessee of the property?
6. If owner, state what claims, liens, or encumbrances, if any, are against the property.
7. If lessee, attach a copy of the lease and state if it is in good standing.

NOTE.—It will be necessary to procure and attach to the exploration project contract agreements of claimants, lienors, encumbrances and lessors subordinating their interests in the property to the interest of the Government under the contract.

8. Furnish current financial statement, showing assets and liabilities, and a profit and loss statement.
9. How much money is applicant prepared to invest in proposed project? Is it sufficient to pay your part of the cost of the project as detailed in question 23 of this application form, in accordance with the regulations on Government participation (Section 9 of Mineral Order 5)?

*If you have already answered these questions on MF-100, you are not required to answer the questions for this application.

16—64067-1

THE PROPERTY

10. (*a*) Give a description of the real property that will be in any way involved in the exploration project, including any existing mine or operating property.
    (*b*) Give the legal description of the exact parcel, plot, or area upon which the exploration is to be conducted.

    NOTE.—If both areas are the same, so state. The only obligation to repay the Government is from the net earnings from any commercial discovery made in the area specified in (*b*) above in which the exploration is to be conducted, and the expenditure of funds which may be charged as costs of the project must be limited to that area or to work necessary to perform the exploration in that area.

*11. State the present and former names of the property, if any.

*12. State, in detail, the location of the property with reference to towns, railroads, roads, shipping points, including distances and directions and kinds and conditions of roads.

*13. State source and quantity of water available for operations and its sufficiency at all seasons.
State amount of power to be used, rate per hour or other cost, and source.

*14. Describe any existing useable facilities, equipment, buildings, or structure now on the property that will be devoted to the exploration work.

15. State in detail how the ore could be shipped and how and where milled.

*16. History:
    (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for any past suspensions of operations.
    (*b*) State briefly the known history and production of adjoining and neighboring properties.
    (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.

*17. Production:
    (*a*) If mine is in production, furnish the following information:

	Tons per day	*Grade or analysis*	*Cost per ton*	*Net value per ton*
(1) Mining				
(2) Milling				
(3) Shipped or sold				

*18. Ore or mineral reserves: (If property is or has been operating.)
    (*a*) Describe the ore or mineral deposits briefly.
    (*b*) Submit available maps and assay data.
    (*c*) Give estimated tonnage and grade of each class of ore reserves.

19. State any conditions or circumstances regarding the property not sufficiently brought out by the foregoing questions.

THE EXPLORATION

20. For what mineral or minerals and for what types of deposits and ores will the exploration be conducted?

21. Describe briefly, but concisely, the proposed work and the estimated time required to complete it.

    NOTE.—The Government will not participate in a project that will require more than 2 years to complete.

22. Furnish statement of the geological basis of the project with particular emphasis on factors leading the operator to expect the finding of commercial ore bodies. This statement should be accompanied by supporting maps such as geological maps, maps of the proposed openings and assay maps, sample lists, and other pertinent data.

THE REQUIREMENTS AND COSTS

23. Tabulate in the form of an itemized statement with a sum for each item the estimated requirements and costs of the project so that the total will give the estimated cost of the project in which the Government will participate, as follows:
    (*a*) Labor, by numbers and classes (miners, muckers, millmen, etc.), with wages of each.
    (*b*) Supervisors, by numbers and positions, with salaries of each.
    (*c*) Cost of necessary repairs to existing facilities, structures, and buildings.
    (*d*) Cost of necessary installation or construction of additional facilities, structures, and buildings.
    (*e*) Cost of items of equipment, not now owned by the applicant which must be purchased for operations at a cost of $50 or more each.
    (*f*) Cost of rental for equipment which the operator proposes to rent.
    (*g*) Rental value of items of equipment which the operator now owns and which will be devoted to the work.
    (*h*) Cost of materials and supplies, including items of equipment costing less than $50 each.
    (*i*) Cost of power, water, utilities, and any other items not provided for above.

24. Furnish a time schedule of the project, stated in terms of months after project is approved, showing progress expected to be accomplished and the money expected to be spent.

CERTIFICATION

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

Silver Bay Mines, Incorporated
(Name of company)

By Ray Lilenquist
(Signature of authorized official)

May 10, 1951.
(Date)

Pres.
(Title)

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.

*Same as footnote on page 1.

16—64067-1 U. S. GOVERNMENT PRINTING OFFICE

Supplementary Data Sheet D. M A Form MF-103

Silver Bay Mines, Inc., Salt Lake City, Utah. DMA-487

1. Answered in MF-100
2. "
3. "
4. "
5. "

6. Approximately $6,000 exists in 'Miner's Suspense Accounts'. This contract made with group of miners in 1950. Men were to be paid in full when ore shipments were to be made from Big Indian vein.

7. Owner
9. $10,000.00 Yes.
10(a) The following patented Lode mining claims, Gladstone district, San Juan county, Colorado. Recorded in Courthouse, Silverton, Colorado:

Blackhawk, Big Indian, Murton, Confidence, Jo Pi, all U. S. Survey No. 14325. Occidental, Occidental No. 2, Occidental No. 3, Thomas Jefferson, all U. S. Survey No. 15504. Magnolia, Bluebird, Klondyke, Klondyke No. 2, Louisea, Klondyke No. 3, all U. S. Survey No. 15061 A.

Also possessory Lode Mining claims Silver Bay No. 1,2,3,4, 5,6,7,8, and 9.

(b) same

11, 12, 13, 14, all answered in MF-100

15. Some ore will be shipped to Lackawanna Mill , Silverton, for treatment. This is 12 miles distant. There are 4 other custom mills in this area that will take lead-zinc ores.

16, Answered in MF-100.
17. "
18. "
19. "

20. The ores occur in vein-type deposits. The veins are largely filled with quartz as the dominating gangue material and carry varrying amounts of sulfides. The country rock is principally latite. Zinc sulfide is the principal ore mineral but a fair amount of lead sulfide is found. Silver is a minor constituent.

Exhibit B

Silver Bay Mines, Inc.

STATEMENT OF MINE DEVELOPMENT COSTS
For the Period
August 1, 1948 to December 31, 1950

MINE DEVELOPMENT COSTS

Mining Operation

Labor	$ 8,143.19	
Materials & Supplies	7,390.80	
Depreciation - Buildings & Equipment	10,307.00	
Depreciation - Autos & Trucks	1,135.92	
Repairs - Buildings & Equipment	90.85	
Insurance	846.85	
Assaying Cost	148.50	
Auto & Truck Expense	1,447.34	
Equipment Rentals	2,122.00	
Purchased Transportation	894.06	
Miscellaneous Repairs	208.85	
Miscellaneous Exploration & Development Costs	12,012.71	
Total Mining Operation		$44,748.07

Other Expenses

Salaries - Executive	$ 5,760.00	
Salaries - Clerical	300.00	
Travel Expense	502.50	
Postage, Stationery & Office Supplies	36.58	
Telephone & Telegraph	229.98	
Medical Costs	124.00	
Corporation Taxes	155.47	
Legal & Accounting Fees	170.00	
Miscellaneous Expenses	707.81	
Total Other Expenses		7,986.34
Total Costs		$52,734.41
Less - Incidental Credits - Miscellaneous Income		1,224.97
Total Development Cost (To Exhibit A)		$51,509.44

Silver Bay Mines, Inc.

BALANCE SHEET
As At
December 31, 1950

ASSETS

CURRENT ASSETS			
Cash in Banks		$ 277.63	
Accounts Receivable - Officers		70.49	
Total Current Assets			$ 348.12
FIXED ASSETS			
Buildings, Machinery & Equipment	$27,185.00		
Less Reserve for Depreciation	10,307.00	$16,878.00	
Automobiles & Trucks	$ 2,357.30		
Less Reserve for Depreciation	1,135.92	1,221.38	
Mines & Mining Property	$18,773.00		
Mine Development Costs per Exhibit B	51,509.44	70,282.44	
Total Fixed Assets			88,381.82
OTHER DEBITS			
Organization Expense			573.94
Total Assets & Other Debits			$89,303.88

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable	$ 3,263.99	
Miner's Suspense Accounts - Richardson & Davis	1,972.68	
Miner's Suspense Accounts - Silva & Davis	1,359.21	
Total Liabilities		$ 6,595.88

NET WORTH

REPRESENTED BY		
Capital Stock Authorized & Outstanding (41,323 shares common, non-assessable par value $1.00)	$41,323.00	
Capital Surplus	41,385.00	
Total Net Worth		82,708.00
Total Liabilities & Net Worth		$89,303.88

21. The map accompanying MF-100 shows the position of the face of the Blackhawk tunnel. Also shown is the projected position of the Big Indian vein--100 feet distant. It is planned to crosscut the intervening 100 feet to strike the vein, then drift 300 feet to the southeast and to the northwest on the vein--a total distance of 600 feet. An added distance of 50 feet should be allowed to strike the vein. This makes a total distance to be driven of 750 feet. Although it is expected to take less time, an allowance of 150 feet per month is made. This will take 5 months time.

22. The Big Indian vein is considered one of the strongest vein-showings in this area that has produced huge amounts of ore. However, early work (1890 to 1911) disclosed a dominance of zinc sulfide whereever the vein was penetrated in near-surface workings and further work was discontinued. In 1948, claims adjacent to the Big Indian vein-system were purchased and initial attempts to penetrate the vein at depth were made. Since that time work has been continuing as finances permitted. Form Mf-100 contains added information on possibilities of finding ore in the Big Indian vein.

23. (A) The labor has already been contracted for on a straight footage basis. This will cost $12.50 per foot of advance, and the contractor will take out his own insurance.

(b) The following supervisory costs have been arranged (proportioned) to the exploratory phase of the Silver Bay operation.
Supervisory Foreman per month....."250.00
Engineering & Geological " " ... 150.00

(c) none

(d) none
(e) 6 mine cars, 18-cubic-foot, at 150.00 each..... $900.00
(f)none. (g) Rental of 210-cubic foot compress.....200.00 per month
" mucking machine..... 150.00
" drill machine, hoses, bars... 100.00
" air loc omotive..... 150.00 600.00

(h) Powder costs per mo: 70 lbs used per day costs
$20.00 per day or.....;;;;500.00 per mo.
electric caps and wire, $2.00/day or 50.00
Drill steel..... 50.00
Bits..... 100.00
16-lb rail use 1600 lbs per month or 180.00
4 x 6 x 2.5' track ties, splices, bolts..... 47.50
2 inch air pipe, use 150 feet per month..... 120.00
1 inch water pipe, use 150 " " 47.50
Use 20 gals. gasoline per day for compressor
at .30 per gal, $6.00 per day for 25 days..150.00

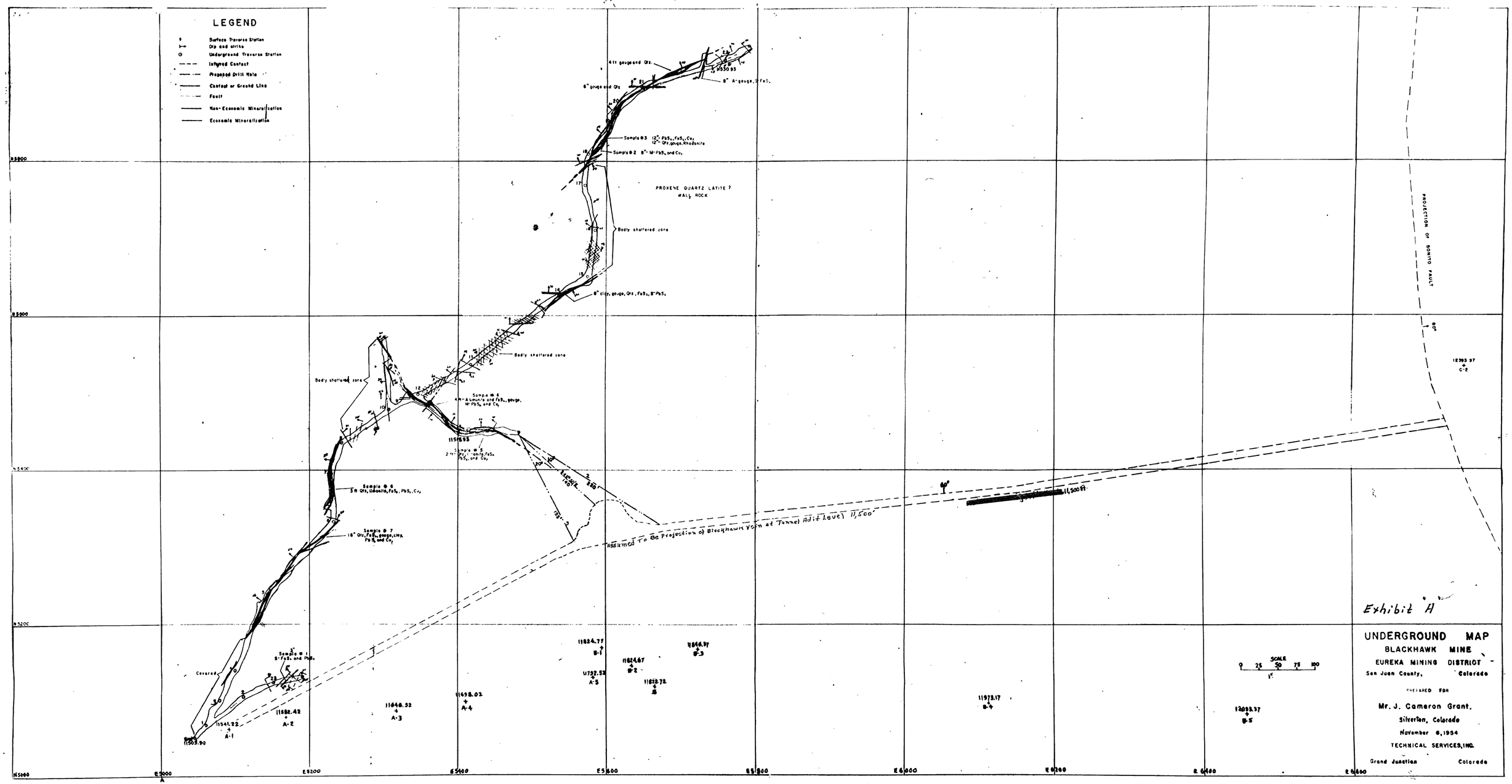
Per Month (First month only) of rentals,
equipment and necessary operating
supplies $2745.00

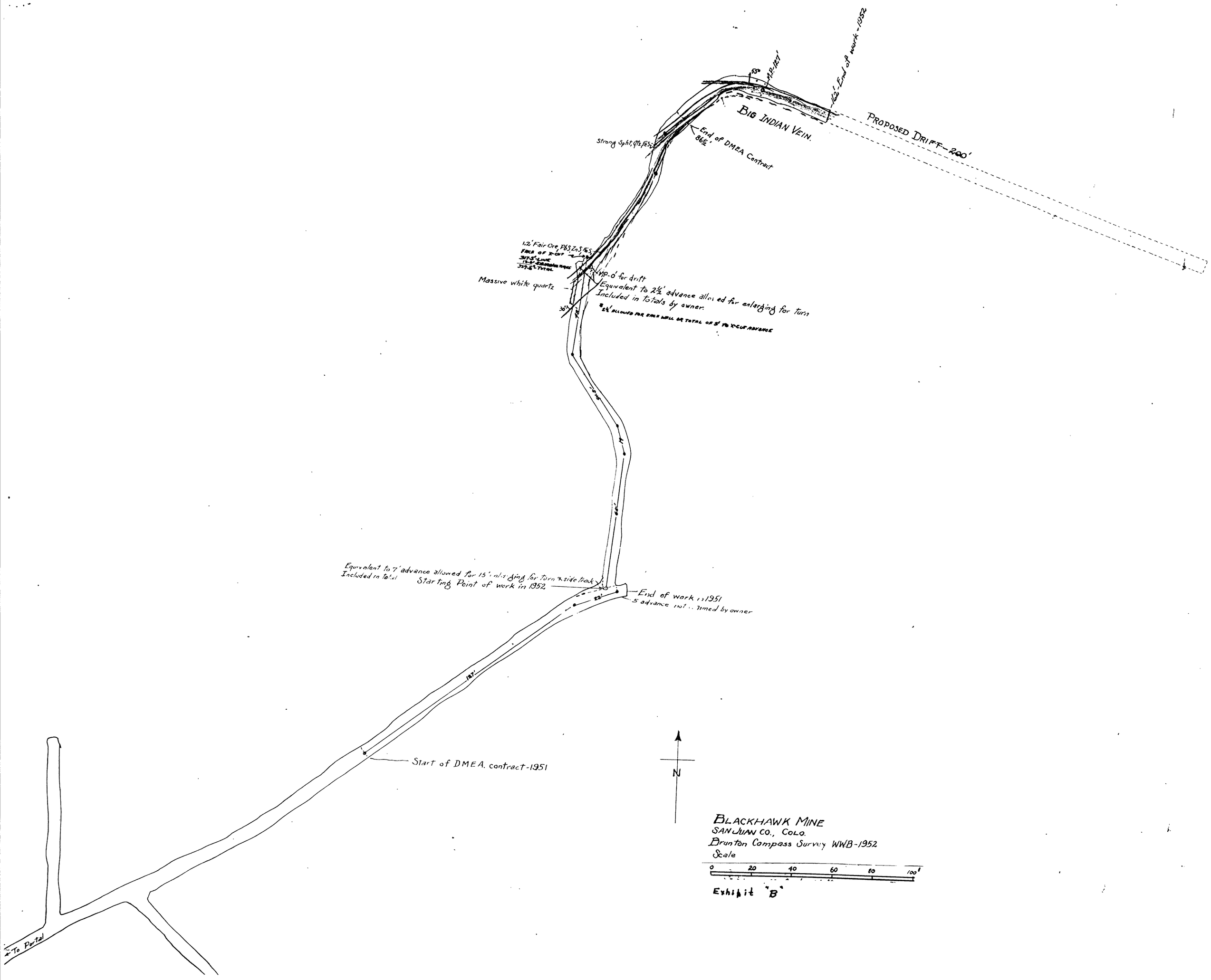
Recapitulation of Proposed First month expenditures.

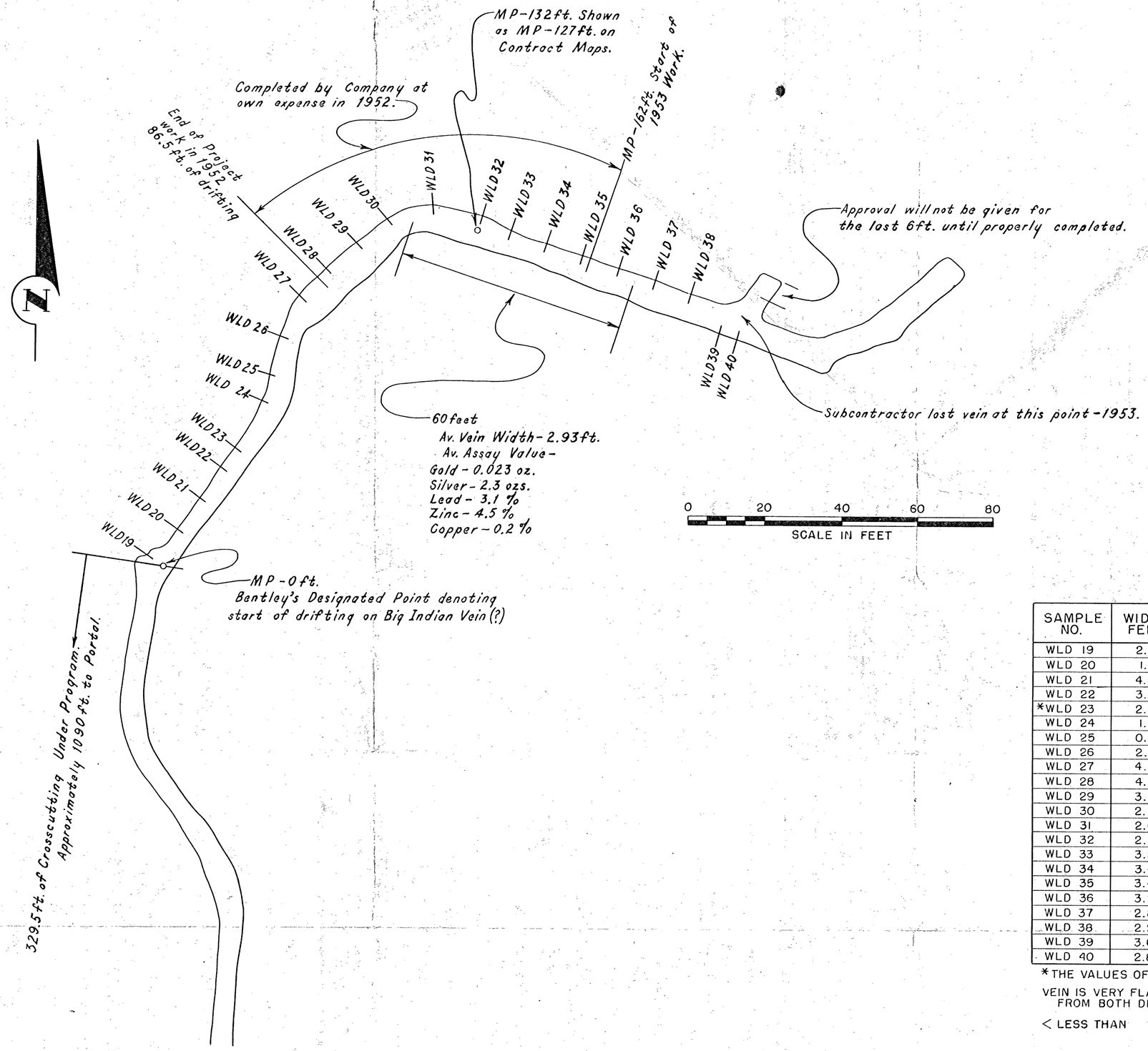
Cost of rentals.....	$600.00
" of Supervision.....	400.00
" of required equipment, 6 mine cars.	900.00
" of operating supplies.....	1245.00
	3145.00
Footage cost: 150' at 12.50/foot.....	1875.00
Total cost first month	5020.00
Total cost 2nd month, (same as first except deduct $900.00 for cost of car)	4120.00
3rd month.....	4120.00
4th month.....	4120.00
5th month.....	4120.00
Total cost	$21,500.00

24. At rate of 150' of advance per month, the project will require 5 months for completion. Expenditures are pro-rated as shown above. Attempts will be made to complete the project before this time, however. Ground is medium-hard and requires no timbering. This is also true when drifting in the veins.

LARGE FORMAT DOCUMENTS AT END OF FILE


LEGEND
Surface Traverse Station
Dip and strike
Underground Traverse Station
Inferred Contact
Proposed Drill Hole
Contact or Ground Line
Fault
Non-Economic Mineralization
Economic Mineralization
4 ft gouge and Qtz.
8" gouge and Qtz
8" A-gouge, S-FeS₂
Sample # 3 12"- PbS₂, FeS₂, Cu₂ 12"- Qtz, gouge, Rhodonite
Sample # 2 8"- M-PbS₂ and Cu₂
PROXENE QUARTZ LATITE ? WALL ROCK
Badly shattered zone
8" clay, gouge, Qtz., FeS₂, S-PbS₂
Badly shattered zone
Badly shattered zone
Sample # 6 4"- Azurite and FeS₂, gouge, M-PbS₂ and Cu₂
Sample # 5 2 ft- Qtz, rhodonite, FeS₂, PbS₂, and Cu₂
Sample # 4 3" Qtz, Rhodonite, FeS₂, PbS₂, Cu₂
Sample # 7 18" Qtz, FeS₂, gouge, rhod, PbS₂ and Cu₂
Sample # 1 S-FeS₂ and PbS₂
Covered
Assumed To Be Projection of Blackhawk Vein at Tunnel Adit Level 11,500'
11,500 ft.
PROJECTION OF BONITO FAULT
80°
12363.97 C-2
11824.77 B-1
11824.67 B-2
11822.72 B
11846.97 B-3
11792.52 A-5
11698.02 A-4
11646.52 A-3
11682.42 A-2
11541.22 A-1
11503.90
11973.17 B-4
12033.37 B-5
SCALE 0 25 50 75 100 1'
N5000
E5000
E5200
E5400
E5600
E5800
E6000
E6200
E6400
E6600
N5400
N5200
Exhibit "A"
UNDERGROUND MAP
BLACKHAWK MINE
EUREKA MINING DISTRICT
San Juan County, Colorado
PREPARED FOR
Mr. J. Cameron Grant,
Silverton, Colorado
November 6, 1954
TECHNICAL SERVICES, INC.
Grand Junction Colorado
0 100 200 300 400 500


162' End of work - 1952
55°
M.P. 127'
BIG INDIAN VEIN.
PROPOSED DRIFT - 200'
End of DMEA Contract
86½'
Strong Sph't, Qtz, FeS2
1.2' Fair Ore, PbS, ZnS, FeS2
FACE OF X-CUT
317.5' LINE
12.5' SIDEWALL TRACK
329.5' TOTAL
MP. 0' for drift
Equivalent to 2½' advance allowed for enlarging for turn
Included in Totals by owner.
*2½' ALLOWED FOR EACH WALL OR TOTAL OF 5' TO X-CUT ADVANCE
Massive white quartz
36½'
Equivalent to 7' advance allowed for 15' enlarging for turn & side track
Included in total
Starting Point of work in 1952
End of work in 1951
5' advance not limited by owner
147'
Start of DMEA. contract - 1951
N
To Portal
BLACKHAWK MINE
SAN JUAN CO., COLO.
Brunton Compass Survey WWB-1952
Scale
0 20 40 60 80 100'
Exhibit "B"



SAMPLE DATA

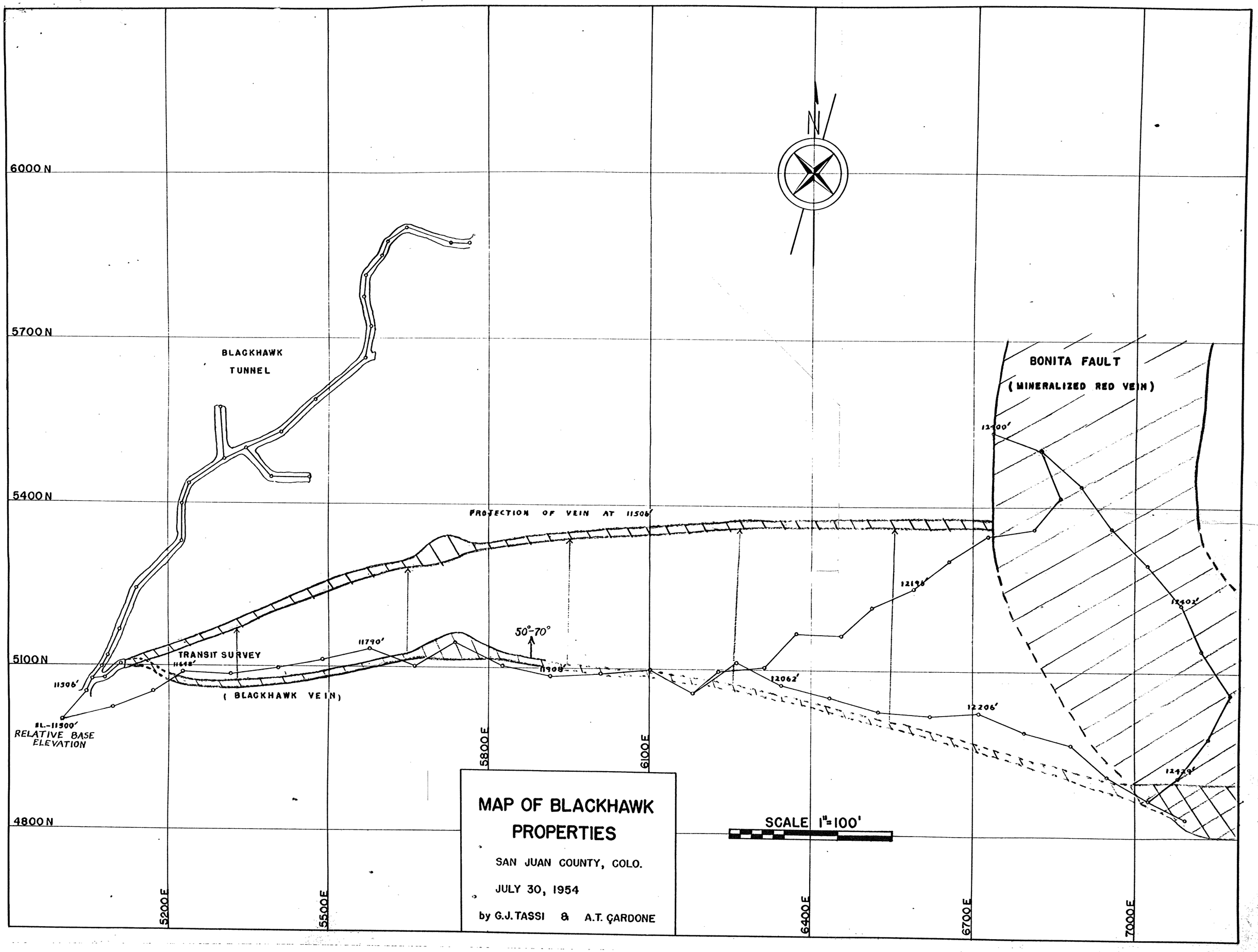
SAMPLE NO.	WIDTH FEET	OUNCES		PERCENT		
		GOLD	SILVER	LEAD	ZINC	COPPER
WLD 19	2.0	0.005	1.0	1.0	1.55	0.20
WLD 20	1.9	0.01	0.7	0.6	1.4	0.15
WLD 21	4.0	0.005	0.7	0.25	0.3	< 0.05
WLD 22	3.8	0.005	1.6	2.2	6.0	0.47
*WLD 23	2.4	0.05	5.8	4.85	4.5	0.29
WLD 24	1.1	0.005	0.4	<0.1	0.1	< 0.05
WLD 25	0.8	0.02	0.5	0.1	0.1	< 0.05
WLD 26	2.4	0.005	0.2	0.1	0.1	< 0.05
WLD 27	4.0	0.005	0.7	0.6	2.4	< 0.05
WLD 28	4.2	0.005	0.9	0.6	0.7	0.10
WLD 29	3.4	0.005	0.8	0.7	0.8	0.10
WLD 30	2.6	0.005	1.2	1.25	1.9	0.26
WLD 31	2.0	0.005	2.1	2.6	3.5	0.36
WLD 32	2.2	0.03	3.5	3.6	5.5	0.49
WLD 33	3.5	0.03	2.6	4.5	5.2	0.36
WLD 34	3.4	0.03	2.6	4.2	8.8	< 0.05
WLD 35	3.4	0.01	1.2	0.7	1.25	< 0.05
WLD 36	3.2	0.03	2.3	2.95	2.85	< 0.05
WLD 37	2.8	0.005	0.2	< 0.1	<0.05	< 0.05
WLD 38	2.2	0.05	0.2	< 0.1	<0.05	< 0.05
WLD 39	3.6	0.01	0.2	0.1	0.35	< 0.05
WLD 40	2.8	0.01	0.4	0.4	0.55	< 0.05

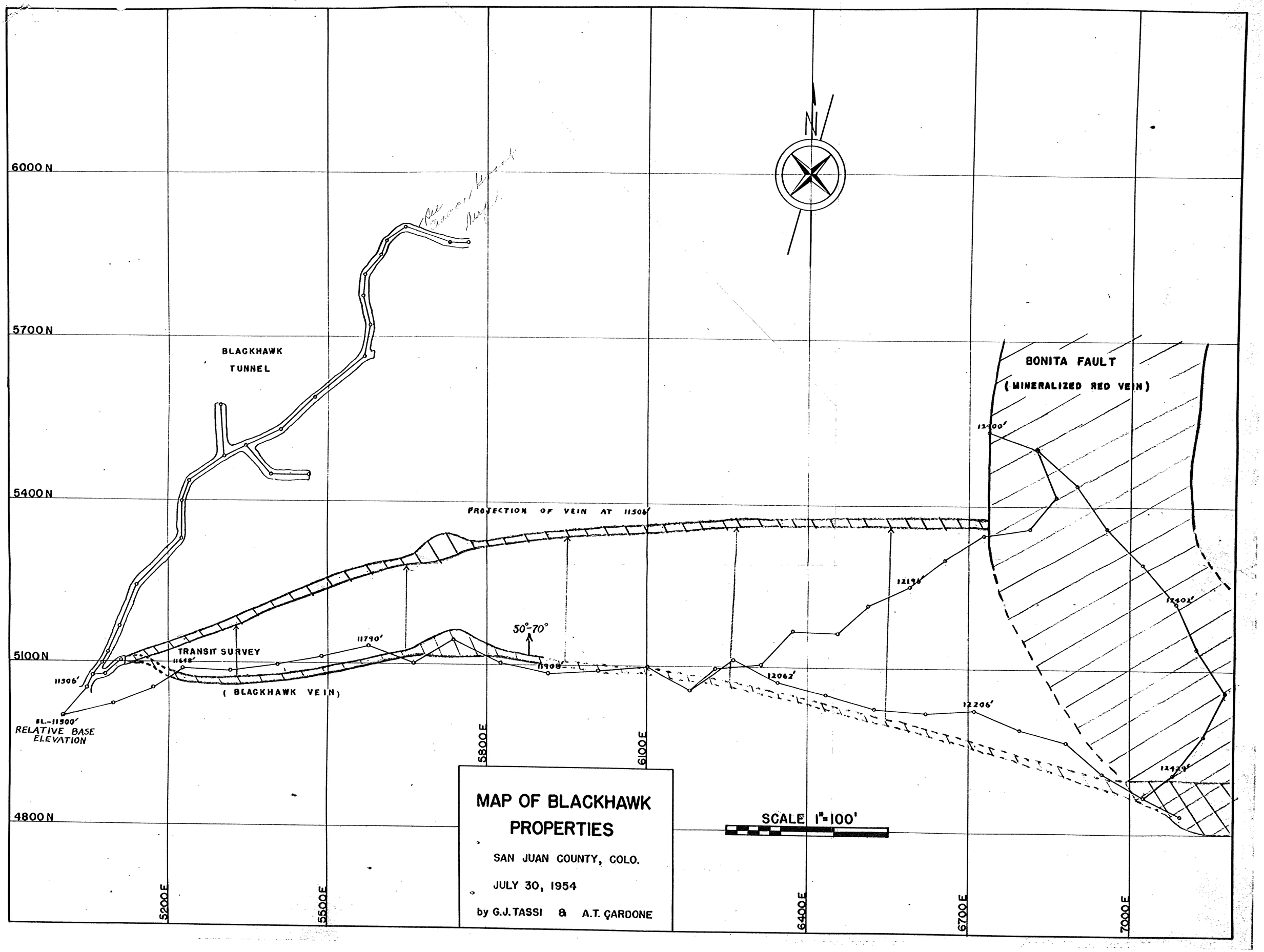
*THE VALUES OF THIS SAMPLE ARE QUESTIONABLE

VEIN IS VERY FLAT AND WHERE POSSIBLE, SAMPLES ARE COMPOSITES FROM BOTH DRIFT WALLS.

< LESS THAN

FIGURE I - SAMPLE LOCATIONS ON BIG INDIAN VEIN, BLACKHAWK MINE, SILVER BAY MINES, INC., SAN JUAN COUNTY, COLO. (DMEA 487X, CONTR. Idm E26)


N
6000 N
5700 N
5400 N
5100 N
4800 N
5200 E
5500 E
5800 E
6100 E
6400 E
6700 E
7000 E
BLACKHAWK
TUNNEL
BONITA FAULT
(MINERALIZED RED VEIN)
12100'
PROJECTION OF VEIN AT 11506'
12196'
12402'
50°-70°
11790'
TRANSIT SURVEY
11648'
11908'
12062'
11506'
(BLACKHAWK VEIN)
12206'
EL.-11500'
RELATIVE BASE
ELEVATION
12429'
SCALE 1"=100'
MAP OF BLACKHAWK
PROPERTIES
SAN JUAN COUNTY, COLO.
JULY 30, 1954
by G.J. TASSI & A.T. CARDONE

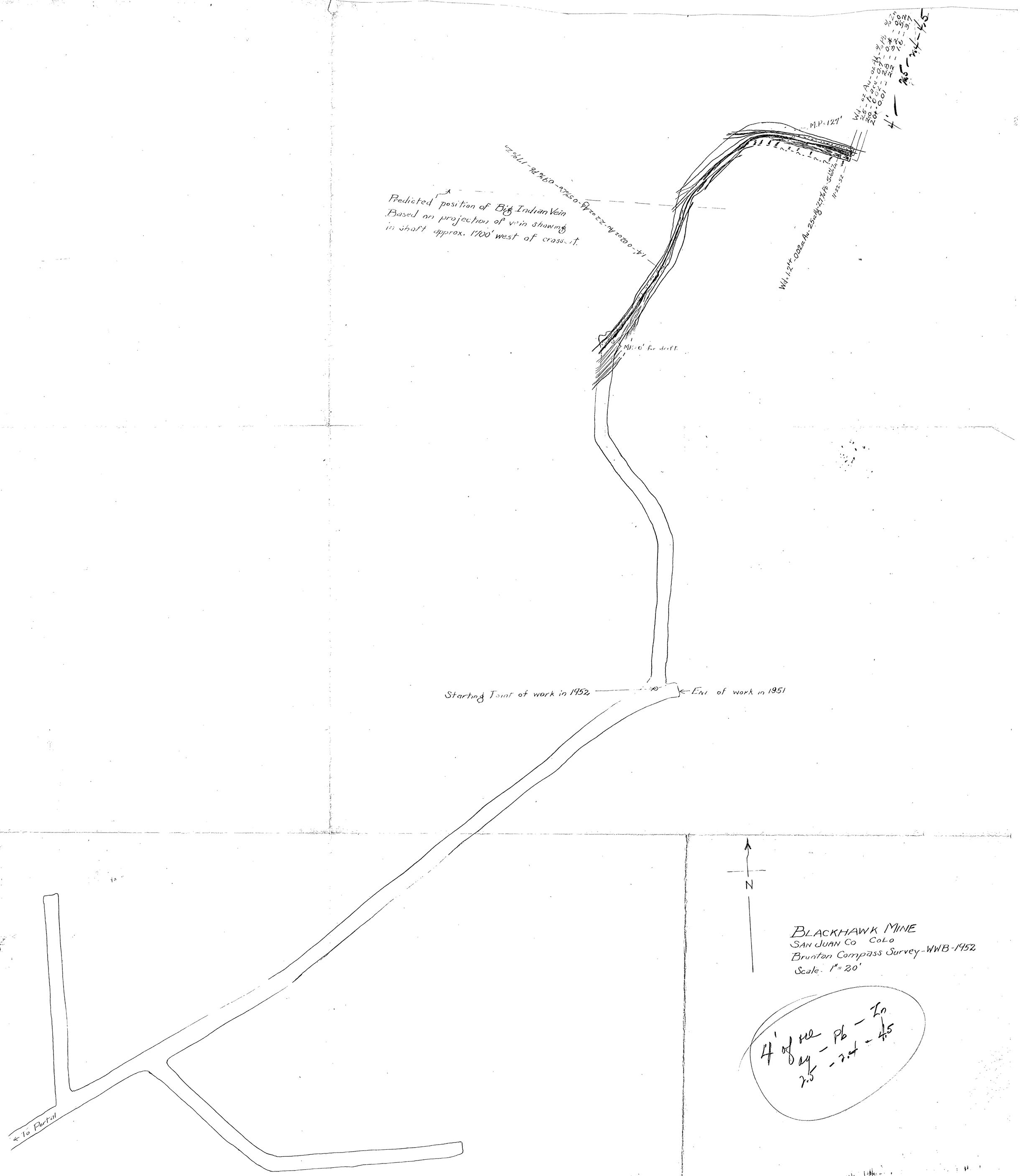


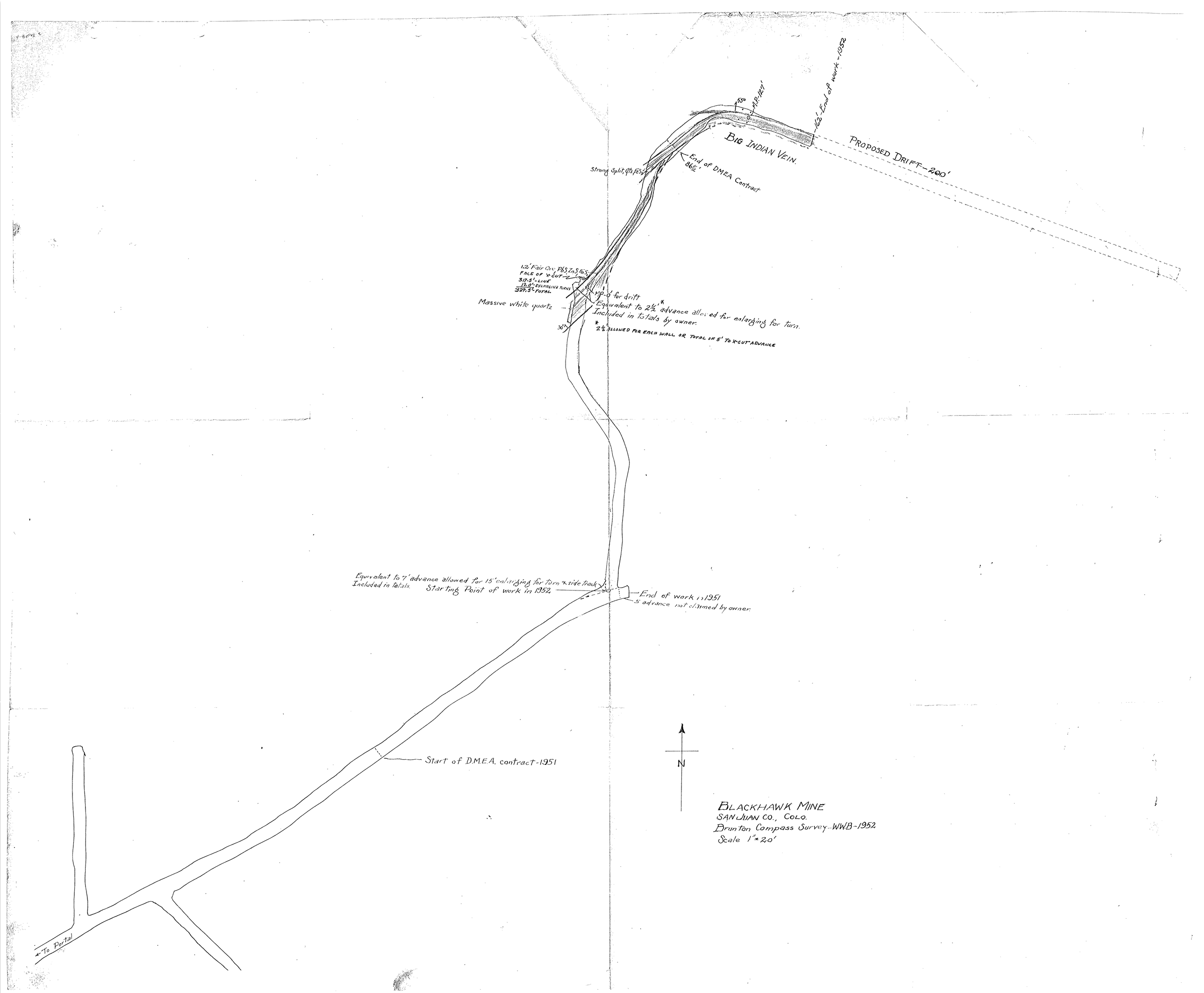
MAP OF BLACKHAWK PROPERTIES

SAN JUAN COUNTY, COLO.

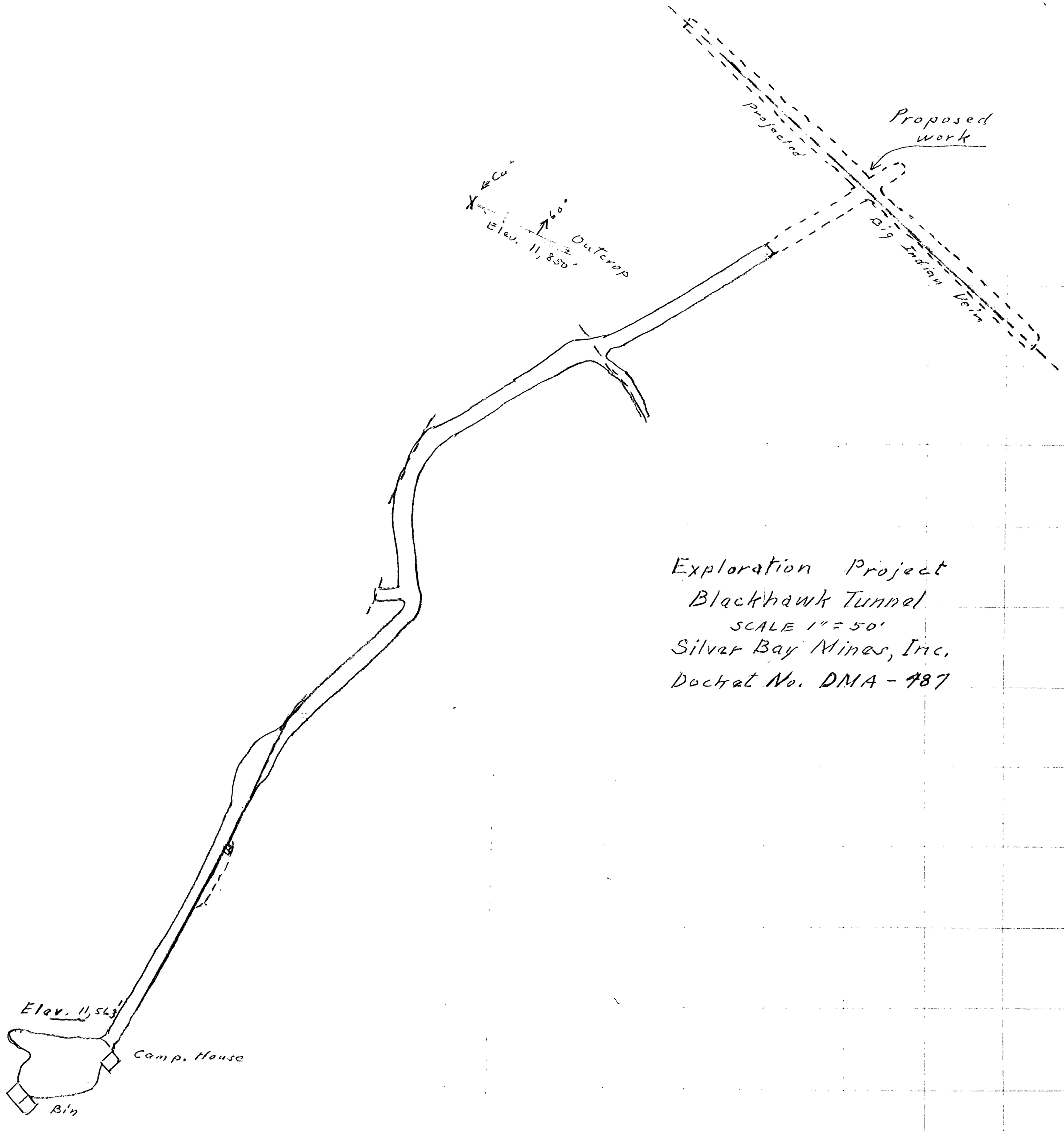
JULY 30, 1954

by G.J. TASSI & A.T. CARDONE

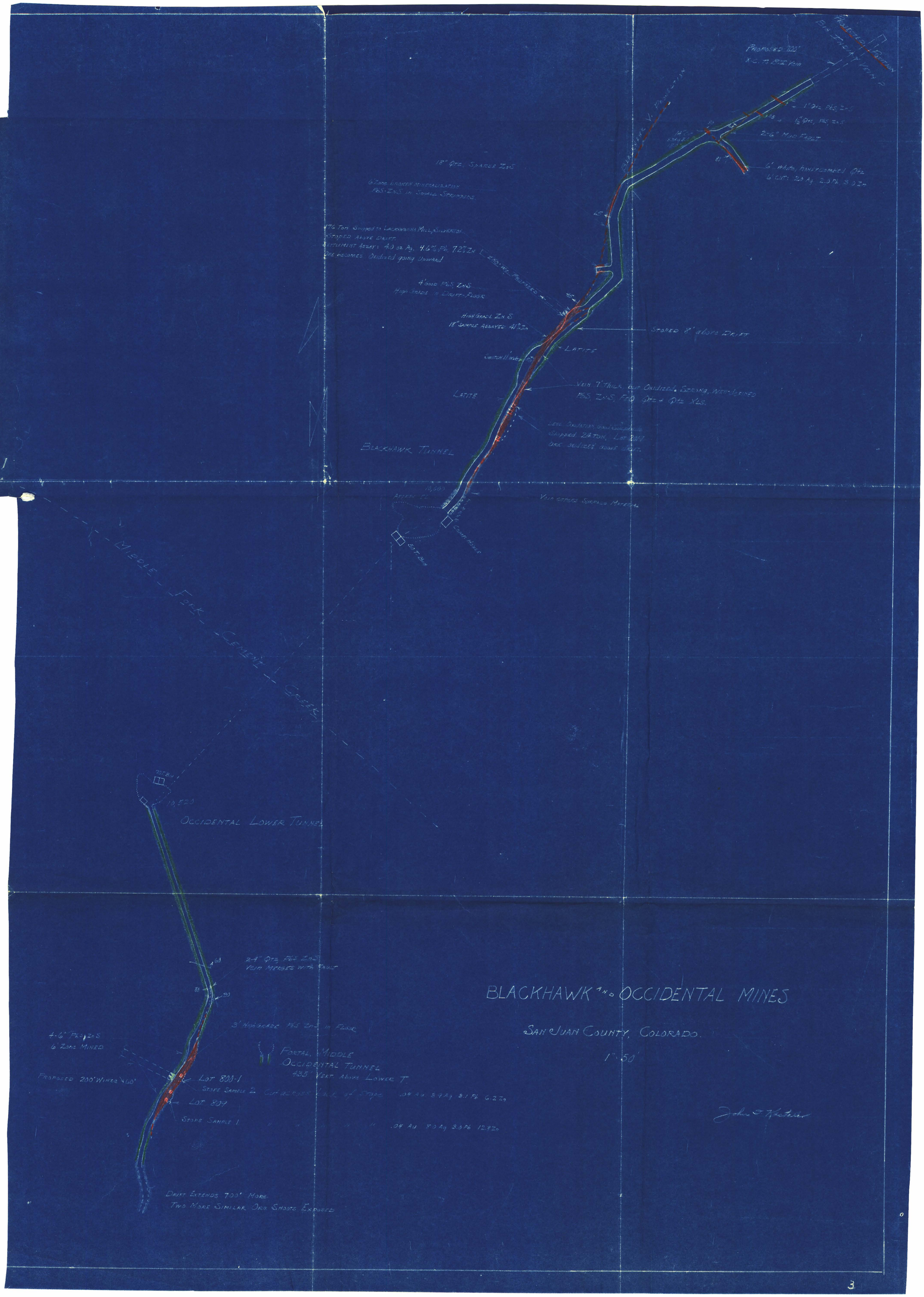

M.P.=127'
Wd-.07 Au-.02 Ag-.9 Pb
Zn-.7 Zn-.07
Cu-.07
Cd-.01 Co-.2
Zn-.01 Zn-.2
4'-.5
Wd-1.2 Ag-.002 oz Au-.25 oz Ag-22.4 Pb-5.6 Zn
11.22-52
4'-.002 oz Au-.22 oz Ag-.05 Cu-.09 Pb-17.6 Zn
Predicted position of Big Indian Vein
Based on projection of vein showing
in shaft approx. 1900' west of cross cut.
M.P.=0' for drift
Starting Point of work in 1952
End of work in 1951
N
BLACKHAWK MINE
SAN JUAN CO COLO
Brunton Compass Survey-WWB-1952
Scale- 1"=20'
4' of ore
Ag - Pb - Zn
2.5 - 7.4 - 4.5
← To Portal

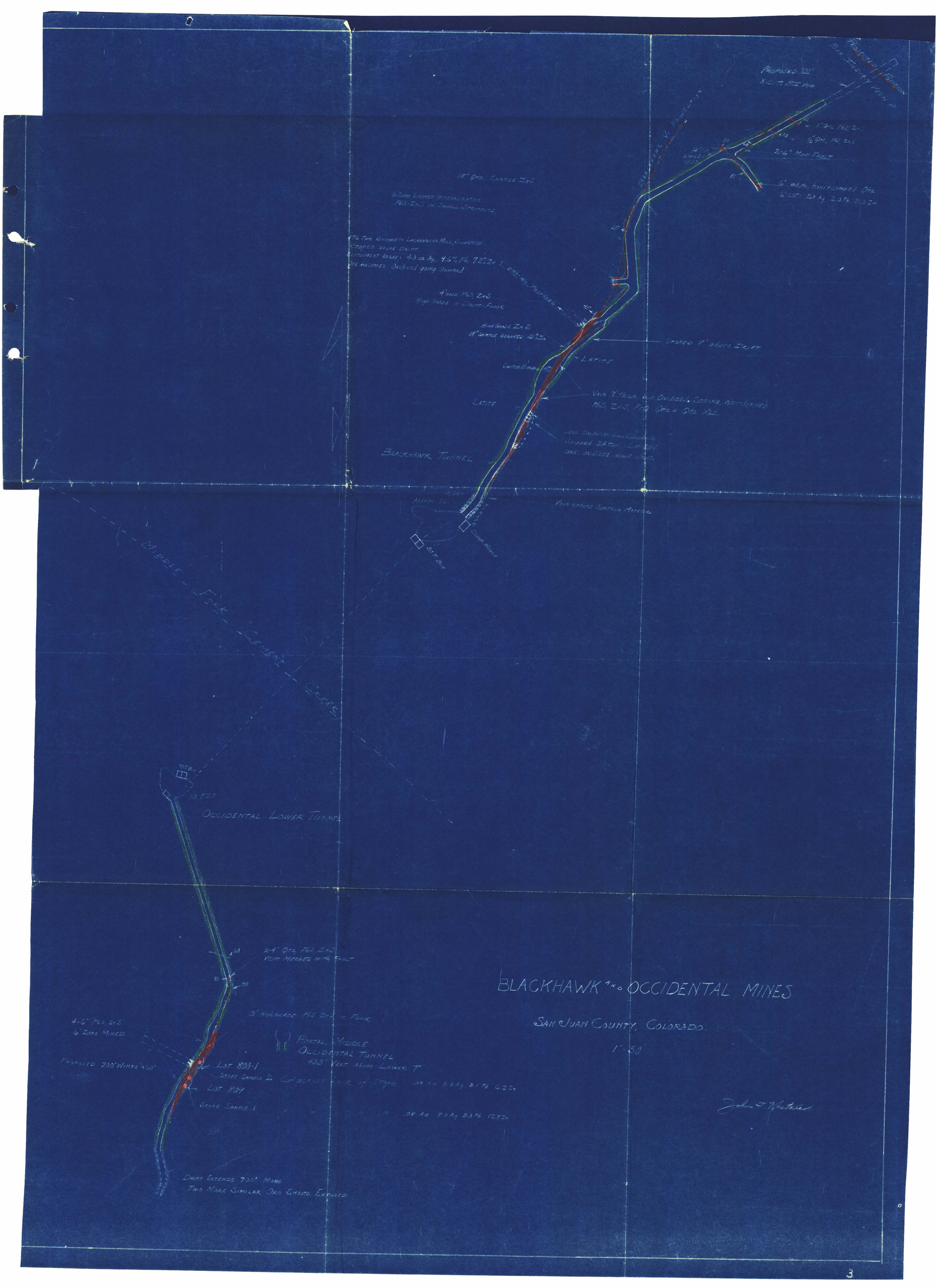


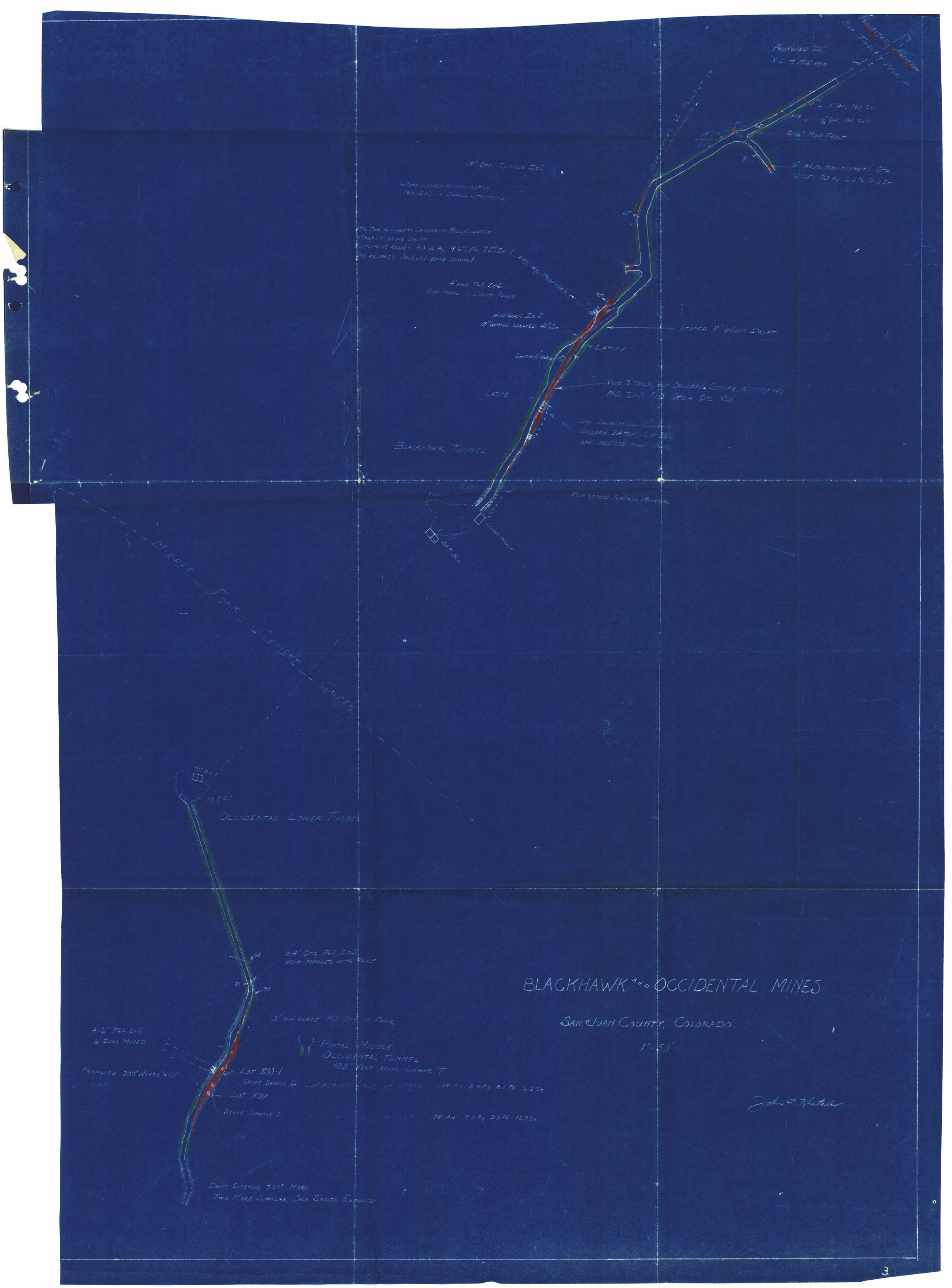
BLACKHAWK MINE
SAN JUAN CO., COLO.
Brunton Compass Survey-WWB-1952
Scale 1" = 20'

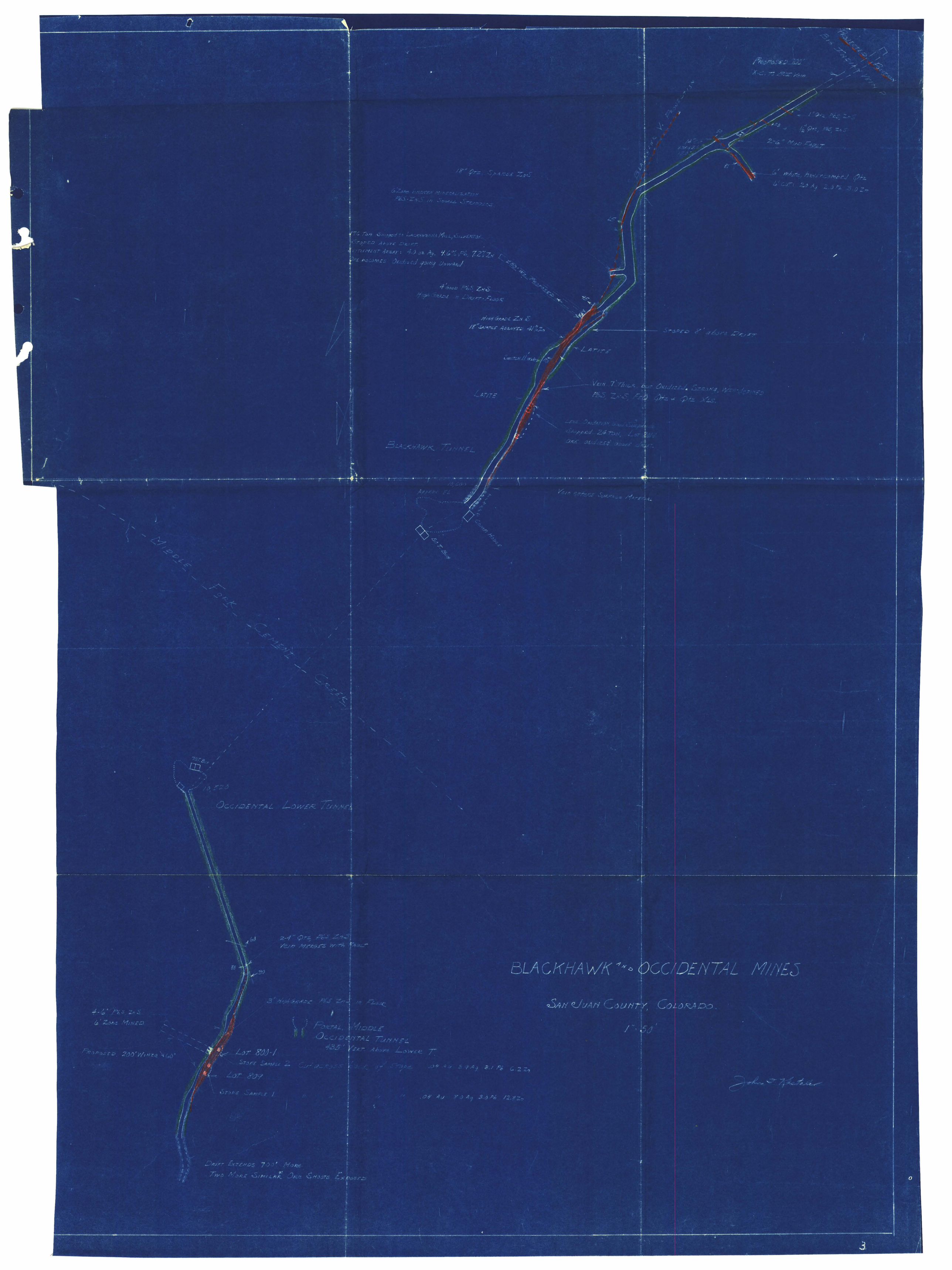


Exploration Project
Blackhawk Tunnel
SCALE 1" = 50'
Silver Bay Mines, Inc.
Docket No. DMA - 487


Proposed 100' X.C. to Blue Vein
Big Front Vein
Proposed Portion
Blackhawk V. Projection
1" Qtz. PbS, ZnS
1½" Qtz. PbS, ZnS
2-6" Mud Fault
6' White Honeycombed Qtz.
6' Cut: 20 Ag 2.0 Pb 5.0 Zn
18" Qtz. Sparse ZnS
6' Zone Broken Mineralization PbS·ZnS in Small Stringers
176 Ton Shipped to Lackawanna Mill, Silverton
Stoped Above Drift
Settlement Assay: 4.0 oz Ag, 4.6% Pb, 7.2% Zn
Ore becomes Oxidized going Upward
200' Wz. Proposed
4' Good PbS, ZnS High Grade in Drift-Floor
High Grade Zn S 18" Sample Assayed 41% Zn
Stoped 8' above Drift
Latite
Switch Winze
Vein 7' Thick, but Oxidized, Strong, Well-Lined PbS, ZnS, FeO Qtz + Qtz Xls.
Latite
Less Oxidation, Good Shipping Shipped 24 Ton, Lot 811 Ore Oxidized above Drift.
Blackhawk Tunnel
10,600
Approx. El.
Vein Extends Surface Material
Camp House
Bin
Middle Fork Cement Creek
Bin
10,520
Occidental Lower Tunnel
2-4" Qtz. PbS, ZnS Vein Merges with Fault
3' High Grade PbS ZnS in Floor
4-6" PbS, ZnS 6' Zone Mined
Portal, Middle Occidental Tunnel 435' Vert. Above Lower T.
Proposed 200' Winze ∠60°
Lot 800-1
Stope Sample 2 Comprises half of Stope .04 Au 8.4 Ag 8.1 Pb 6.2 Zn
Lot 809
Stope Sample 1 " " " " " .04 Au 9.0 Ag 3.5 Pb 12.9 Zn
Drift Extends 700' More. Two More Similar Ore Shoots Exposed
BLACKHAWK AND OCCIDENTAL MINES
San Juan County, Colorado.
1" = 50'
John T. Nesbitt


Proposed 100' X-C. to Blackhawk Vein
Proposed Portal Blackhawk Vein
Blackhawk V. Projection
1" Qtz. PbS ZnS
1½" Qtz. PbS ZnS
2-6" Mud Fault
6' White, Honeycombed Qtz
6' Cut: 20 Ag 2.5 Pb 3.0 Zn
18" Qtz. Sparse ZnS
6' Zone Broken Mineralization PbS-ZnS in Small Stringers
176 Ton Shipped to Lackawanna Mill, Silverton
Stoped Above Drift
Settlement Assay: 4.0 oz Ag, 4.6% Pb, 7.2% Zn
Ore becomes Oxidized going Upward
200' Winze Projected
4' Good PbS, ZnS
High Grade in Drift-Floor
High Grade ZnS
18" Sample Assayed 41% Zn
Stoped 8' above Drift
Latite
Vein 7' Thick, but Oxidized, Seeding, Weathered
PbS, ZnS, FeO Qtz + Qtz Xls.
Less Oxidation, good Sulphides
Shipped 24 Ton, Lot 811
Ore oxidized above Drift.
Blackhawk Tunnel
Approx. El. 10,600
Vein crosses Surface Material
Camp House
Bat Box
Middle Fork Cement Creek
Tool Box
10,520
Occidental Lower Tunnel
24" Qtz. PbS Zn
Vein Merges with Fault
4-6' PbS ZnS
6' Zone Mined
3' High Grade PbS Zn in Floor
Portal, Middle Occidental Tunnel
435' Vert. Above Lower T.
Proposed 200' Winze 60°
Lot 800-1
Stope Sample 2 Cut across face of Stope .04 Au 3.9 Ag 8.1 Pb 6.2 Zn
Lot 809
Stope Sample 1 " " " " " .04 Au 8.0 Ag 3.5 Pb 12.8 Zn
Drift Extends 700' More.
Two More Similar Ore Shoots Exposed
Blackhawk and Occidental Mines
San Juan County, Colorado.
1" = 50'
John T. Fletcher


Proposed 100' X.C. to Big Vein
Big Treasury Vein
Proposed Portion
1" Qtz. PbS ZnS
1/2" Qtz. PbS ZnS
2-6" Mud Fault
6' White, honeycombed Qtz
6' cut: 20 Ag 2.0 Pb 5.0 Zn
18" Qtz. Sparse ZnS
6' Zone broken mineralization
PbS-ZnS in small stringers
176 Ton Shipped to Lackawanna Mill, Silverton
Stoped above Drift
Settlement Assay: 4.0 oz Ag, 4.6% Pb, 7.2% Zn
Ore becomes Oxidized going Upward
200' Wz. Proposed
4' Good PbS ZnS
High Grade in Drift-Floor
High Grade Zn S
18" Sample Assayed 41% Zn
Stoped 8' above Drift
Latite
Vein 7' Thick but Oxidized, Seeing, Weathered
PbS, ZnS, FeO Qtz + Qtz Xls.
Latite
Less Oxidation and Silicified
Shipped 24 Ton, Lot 804
Ore oxidized above drift.
Blackhawk Tunnel
10,600
Approx. El.
Vein exposes surface material
Camp House
Bath
Middle Fork
Cement Creek
Occidental Lower Tunnel
10,520
2-4' Qtz. PbS ZnS
Vein merges with fault
3' High Grade PbS ZnS in Floor
4-6' PbS ZnS
6' Zone Mined
Portal, Middle
Occidental Tunnel
435' Vert. Above Lower T.
Proposed 200' Winze X 60'
Lot 800-1
Stope Sample 2 Cut across face of stope .04 Au 3.9 Ag 3.1 Pb 6.2 Zn
Lot 809
Stope Sample 1 " " " " " .04 Au 7.0 Ag 3.6 Pb 12.9 Zn
Drift Extends 700' More.
Two More Similar Ore Shoots Exposed
BLACKHAWK and OCCIDENTAL MINES
San Juan County, Colorado.
1" = 50'
John T. Fletcher


Proposed 200'
X-C. to Blackhawk Vein
Big Indian Vein
Blackhawk Vein Pyrite
1" Qtz. PbS, ZnS
1½" Qtz. PbS, ZnS
2-6" Mud Fault
6' White, Honeycombed Qtz.
6' Cut: 20 Ag 2.5% Pb 5.0% Zn
18" Qtz. Sparse ZnS
6' Zone Broken Mineralization
PbS-ZnS in Small Stringers
176 Ton Shipped to Lackawanna Mill, Silverton
Stoped Above Drift
Settlement Assay: 4.0 oz Ag. 4.6% Pb, 7.2% Zn
Ore becomes Oxidized going Upward
Lens Proposed
4' Good PbS, ZnS
High Grade in Drift-Floor
High Grade ZnS
18" Sample Assayed 41% Zn
Stoped 8' above Drift
Latite
Switch 11' wide
Vein 7' Thick, but Oxidized, Seamy, Weathered
PbS, ZnS, FeO, Qtz + Qtz Xls.
Latite
Lens Oxidation and Silicification
Shipped 24 Ton, Lot 801
Ore oxidized above drift.
Blackhawk Tunnel
Approx. El.
Vein entirely Surface Material
Camp House
Ore Bin
Middle Fork
Cement Creek
Ore Bin
Occidental Lower Tunnel
2-4" Qtz. PbS, ZnS
Vein Merges with Fault
3' High Grade PbS ZnS in Floor
4-6' PbS, ZnS
6' Zone Mined
Portal, Middle
Occidental Tunnel
435' Vert. Above Lower T.
Proposed 200' Winze ∠60°
Lot 800-1
Stope Sample 2 Cut across back of Stope .04 Au 3.9 Ag 3.1 Pb 6.2 Zn
Lot 809
Stope Sample 1 " " " " " .04 Au 7.0 Ag 3.3 Pb 12.9 Zn
Drift Extends 700' More.
Two More Similar Ore Shoots Exposed
BLACKHAWK AND OCCIDENTAL MINES
San Juan County, Colorado.
1" = 50'
John T. Fletcher