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-E26, Docket DMRA-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, CMX Auditor

November 19, 1962

Idm-R26 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.P.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.

extra

~~OFFICIAL FILE~~ COPY O. M. E RECEIVED DEC 3 1962		
DATE	INITIALS	CODE
		800

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: [illegible]-487 (Zinc-Lead)
Amended Contract Idm-E26
Silver Ray 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

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: IMMA-487 (Zinc-Lead)
Silver Bay Mines, Inc.
Black Hawk Mine
San Juan County, Colorado
Amended Contract Ldm-826

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

Building 20 - Federal Center
Denver 25, Colorado

October 22, 1962

EXTRA COPY
O. M. E
RECEIVE OCT

800

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 B y 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.

Original signed by

Hugh M. Connors

Building 20 - Federal Center
Denver 25, Colorado

ENGINEERING
O. M. E.
OCT 1962
800

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

JUN 11 1959
O.M.E

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF AUDIT REVIEW

I have reviewed the files of the Executive Officer, OME Field Team, Region III, Denver, Colorado pertaining to Contract [illegible], Docket No. DMA [illegible], dated June 27, 1951, amended April 13, 1953, with

Silver Bar Mines, Inc.
1370 South [illegible] Street
[illegible], Colo.

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, 1959.

A Pseudo 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 overall costs under the exploration contract amounting to $85,068.60, with the Government's contribution on a 50 percent basis being $42,534.00.

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, operations ceased about November 30, 1953; ore 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 disclosed.

June 9, 1959

Donald F. Kirch
Donald F. Kirch
OME Auditor

JUN 12

Memorandum

To: Mr. Donald T. Finch, OMK 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

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

RECEIVED
JUN 18 1956

Silver Ray Mines, Inc.
1370 South 2nd West Street
Salt Lake City, Utah

pertaining to Exploration Project Contract No. I-DMA-E26, Docket No. DMA-487X, including Amendments Nos. 1 and 2, and Amended Contract No. I-DMA-E26, 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 ($2,511.50) 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		$26,741.50
Less: Proceeds from property disposition		572.79
Net cost as claimed by Contractor		26,168.71
Exceptions (Schedule attached):		
Per prior audit	$1,006.71	
Herewith	100.00	1,106.71
Total Accepted Cost		$25,062.00

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

DEPARTMENT OF MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

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. Idm-826, Docket No. DMEA-487, as amended by Annex I and II, including Exhibit A amended, Amendments Nos. 1 through 6, Termination Notice January 5, 1956, and Liquidation Acceptance dated May 25, 1956, for the period June 27, 1951 to May 25, 1956, covering a project for the exploration of Zinc - Lead on property known as The Big Indian Claim in San Juan County, Colorado.

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

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

The administrative cost to the Government of an audit would be excessive in relation to value of the contract or the estimated amount of further disallowances thereunder.

The major portion of accepted costs ($23,223.29) including all work on an actual cost basis was covered by an interim audit report and audit certificate dated November 4, 1953, issued by Donald T. Finch, DMEA Auditor.

A small portion, $2,411.50, of the costs incurred were 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 to the Contractor:

Total cost as billed by Contractor		$26,741.50
Less: Proceeds from property disposition		572.79
Net cost as claimed by Contractor		$26,168.71
Exceptions: (Schedule attached)		
By DMEA Finance Officer	$318.62	
By prior audit	688.09	
Herewith	100.00	1,106.71
Total Accepted Cost		$25,062.00

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/100ths 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 Idm-826 | Docket No. IMSA-487

SCHEDULE OF EXCEPTIONS

Exceptions by Finance Officer
MF-104 for October, 1952

Pipe	(No supporting documentation)	$131.62	
Track	" " "	187.00	$ 318.62

Exceptions by Prior 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" " "	246.18	688.09

Herewith

Overstatement of Totals to Date on MF-104 for November, 1953	100.00
Total Exceptions	$1,106.71

The Executive Officer of the IMSA Field Team, Region III, and the Auditor concur in all of the foregoing exceptions.

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

JUN 12 1956

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

Re: Report of Review
Silver Bay Mines, Inc.
Ida-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

EDTalbert/wb
June 12, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

RECEIVED
JUN 27 1956

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of September 1955 Docket No. DMEA 3 Contract No. IDM 826
Operator's Name Silver Bay Mines, Inc. Minerals Lead - Zinc
Address P. O. Box 19 1498 Salt Lake City, Utah
Contract Amount, $ 30,600.00 Government Participation: 50 % Amount, $ 15,300.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing		9,337.50	9,337.50			
Crosscutting		3,980.55	3,980.55			
Drifting						
Drifting (short form) Stage II	2,366.	2,730.00	5,096.00			
(2) Labor and Supervision:						
Labor		750.00	750.00			
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:		13.44	13.44			
Timber		925.82	925.82			
Explosives		246.41	246.41			
Pipe		427.43	427.43			
Track		834.63	834.63			
Compressor Fuel						
Other Supplies		1,157.35	1,157.35			
(4) Operating Equipment:		1,800.00	1,800.00			
Rental		724.00	724.00			
Purchase		186.30	186.30			
Depreciation						
(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	2,366.00	24,230.00	26,596.00	1150.62	24,230.00	25,380.62
				11 -	318.62	318.62
					23,911.38	25,062.00
					$575.31	

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

Date 11-5-56 *Payee

Per Ray Lilenquist Title Pres.

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

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

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount ~~of:~~

Signature
(Authorized Certifying Officer)

Date 6/19/56 Vou. No. DMA 56-121

(See other side)

H Previous Disallowance

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. IDm-E26 in accordance with the terms of the contract.

Signature [illegible] Date $1,069.25 Title [illegible] Date 11-10-53

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature [illegible] Title Executive Officer Date JUN 18 1956

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-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

RECEIVED
JUN 8 1953

Month of September 1953 Docket No. DMEA 487 X Contract No. DMA 926
Operator's Name Silver Day Mines, Inc. Minerals Lead - Zinc
Address P. O. Box [illegible] 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 Stage 1	Ft.			4,399.17	95.5	49.70	96.0	
Crosscutting Stage 1	Ft.			16,476.63	329.5	50.01	299.5	
~~Raising~~ Drifting Stage 1	Ft.	2,366.00	52	5,096.00	112.00	45.50	200.0	45.50
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		2,366.00	52	25,872.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				724.00				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		2,366.00		26,596.00				30,000.00

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 11-5-53 Operator

Per Ray Tolmquist Title Pres.

REMARKS:

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

(Instructions on reverse)

(For Government use only)

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
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

FINAL DISTRIBUTION
MADE JUN 25 1956

224 New Customhouse
Denver 2, Colorado

June 18, 1956

JUN 26 1956

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-487X (Zinc-Lead) Contract I-DMA-E26, Silver Bay Mines, Inc. (Black Hawk Mine) San Juan County, Colorado-Operator's Monthly Progress Reports for the months of September, 1953 and November, 1953 - FINAL PAYMENT

Enclosed are the original and four copies of Form MF-104 and Form MF-104A, Narrative Report, and Engineer's Report for the above periods which have been combined to form a single report to facilitate final payment to the Operator. The combined report constitutes the Operator's final claim under the terms of the contract. Also attached to each copy of the combined report are data relative to liquidation of property acquired under the contract.

It is deemed that the Operator has complied with the intent of the contract, and the work for which payment is recommended is acceptable to the Government. Payment has been deferred pending resumption of work, or resolution of all matters relative to closing the account. The contract was terminated under the provisions of Amendment No. 4, as amended by Amendments 5 and 6.

All matters relative to closing the account have now been resolved, therefore, final payment is recommended as follows, which is in conformance with the Report of Review of contract expenditures by the Contract Administration and Audit Division, DMEA, dated June 7, 1956, which was released to this office June 14, 1956.

Basis for Final Payment

Total accepted cost----------	$25,062.00
Government participation at 50 percent-----	12,531.00
Total prior payments----------	11,955.69
Balance due the Operator----------	$ 575.31

Reconciliation with attached forms MF-104 for months of September and November, 1953

Amount reported by Operator on Form MF-104 for Sept., 1953	$2,366.00
Amount reported by Operator on Form MF-104 for Nov., 1953	273.00
Total	$2,639.00
Adjustment by Operator on Form MF-104 for Nov., 1953 in "Totals Previously Reported," to correct overcharge for 5 feet of drifting reported on Form MF-104 for September, 1953 at agreed unit cost of $45.50 per foot----------	227.50
Adjusted total	$2,411.50

Disallowances and Deductions

Disallowance, per audit dated Nov. 4, 1953------	$688.09	
Deduction, amount of property settlement, per Report of Review dated June 7, 1956*------	572.79	
Total disallowance and deductions		1,260.88
Balance		$1,150.62
Government participation at 50 percent		$ 575.31

* In addition to the property settlement, the Report of Review takes into account a discrepancy of $100.00 in the amount reported by the Operator in the "Totals to Date" column of Form MF-104 for November, 1953. The discrepancy is due to an error in addition of the "Totals to Date" column, and has no bearing on the above analysis relative to the final payment.

W. M. TRAVER

W. M. Traver

Enclosures
JDC:jy
cc: Corresp. E26
MF-104 File E26
Sec. Op. Comm. (2)
Shaw (2)
Townsend
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
November 12, 1953

Memorandum

To: Executive Officer, Field Team, Region IV

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

Subject: LMEA 487, Contract Idm-E26 (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado -- Progress report for September 1953

Enclosed are the original and four copies of the above progress report--forms MF-104 and MF-104A, with a narrative by the subcontractor--and the original and six copies of W. L. Dare's memorandum covering inspection of the underground progress and reporting forms. Project operations are under a unit-cost amendment, allowing drifting at $45.50 a foot.

Dare disallows 5 feet of drifting at the unit cost of $45.50, or a total of $227.50, and approves 47 feet at $45.50, or $2,138.50. This disallowance is fully explained in his memorandum and has my approval. The subcontractor is aware of the difference and agreed to notify the contractor. Entries and extensions on the reporting forms are correct.

The $227.50 disallowance subtracted from $2,366.00 claimed leaves $2,138.50. Of this sum 50 percent, or $1,069.25, is recommended for payment and certified on the MF-104 form.

Scott W Hagenah
for W. M. Traver

WMT/kp

enclosure

cc 4
E26
Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
November 10, 1953

Memorandum

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

From: W. L. Dare

Subject: DMEA 487, Contract Idm-E26 (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado -- Progress report for September 1953

The Blackhawk mine was visited on October 8, 1953. Henry P. Ehrlinger, subcontractor, was not at the property at the time of the inspection. Total footage for 1953, through September 30, was measured as 112 feet with one of Ehrlinger's contract miners holding one end of the tape. This meant that the September advance was 52 feet. When Ehrlinger was contacted that evening at his home in Silverton, he stated that this figure corresponded with his measurement, and he later reported such to Silver Bay Mines, Inc.

When the property was visited on November 3, 1953, (no advance in October) another check of the total advance was made with Ehrlinger holding one end of the tape, and the total advance was found to be 107 feet. This distance was rechecked, and Ehrlinger agreed with its correctness. This means that as 52 feet is claimed for September, and approval can be given to only 47 feet, a disallowance of 5 feet at the agreed unit cost is necessary.

As noted in the inspector's memorandum accompanying the August report, on September 2, 1953, it was recommended to the subcontractor to turn the drift as tight as possible to get back on the vein. In October, Ehrlinger turned the drift with an easy curve and consequently did not intersect the vein. He hit the water course he describes in the narrative and thought that this possibly was the vein. He was definitely instructed on October 8, 1953, to stop work in this face, return to the point in the drift where the vein turned north, and drift along it, keeping it in the breast at all times.

Although it is believed the subcontractor used poor judgement when he lost the vein, it was his honest belief that he would

pick up the vein soon after he lost it. Consequently, the footage as reported, minus 5 feet, is approved.

Payment to the operator is recommended as $1,069.25, which is 50 percent of the $2,366.00 claimed minus $227.50 disallowed.

W. L. Dare

WLD/kp

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R06
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RECEIVED
JUN 27 1956

NARRATIVE REPORT

DOCKET-DMR-487
CONTRACT-IDR-E-26

Silver Bay Mines,
September, 1953

The starting point for this month was MP-222 and at the end of the month it was MP-274, a distance of 52'.

During the month we made two turns in the drift to the Northeast of approximately 22° and 25° and at the point MP-274 the left lower lifter hit a strong water course and it was impossible to drill any further on this hole or to load it with powder. It was our opinion that this water would recede in a day's time as it was squirting out about 30' but at the end of the third day when it still had not abated we drilled a hole alongside of that and it was loaded and blasted.

Luckily this hole was balsted with ordinary fuse in lieu of the electric primers and the miners were out of the mine when it went off for a wall of water approximately three feet in depth flowed out of the tunnel for several hours and washed all of the accumulated waste rock along the sides of the tunnel out of the mine, or onto the tracks, for the entire length of the tunnel.

On going back into the tunnel we found that there was a vug of about three by four feet in width and about six feet in depth that had held this water for a long time and we also found that with the draining of this water the several water courses which had been encountered in previous work had been completely dried up and the forward part of the tunnel was dry except for the water that was still coming up from this vug.

It was on the advise of the Bureau of Mines engineer that we drop back and continue the drift along the quartz seam that cut across the vein and this was to be started on the first part of October.

HENRY P. HARLINGER
Mining Engineer

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
April 6, 1954

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 (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado--Progress report for November 1953

Enclosed are the original and four copies of the above progress report--forms MF-104 and MF-104A, with narrative, engineer's progress map--and the original and six copies of W. L. Dare's memorandum, covering inspection of the underground progress and checking of the accounting forms. The amended contract has been prepared on the unit-cost basis, allowing 200 feet of drifting at $45.50 a foot. Documentation is not required.

Dare approved the 6 feet of drifting claimed after verification by measurements made underground December 2, 1953. The progress is properly recorded in the operator's narrative and on the MF-104A forms and all entries and extensions on the reporting forms are correct. Results of sampling and reserve estimates are adequately covered in the engineer's memorandum.

Payment is recommended and certified on the MF-104 forms of $136.50 or 50 percent of the total $273.00 claimed by the contractor.

Suggestion is made that payment of this voucher be deferred until operations are resumed after recess.

W. M. Traver

W. M. Traver

enclosure

WMT/kp

cc 4
E26 Amend.
Caren

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
April 6, 1954

Memorandum

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

From: W. L. Dare

Subject: DMEA 487, Contract IDM-226 Amended (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado--Progress report for November 1953

The Blackhawk mine was last visited on December 2, 1953. On the date of the inspection the subcontractor had advanced the spur drift following the Big Indian vein a total of 6 feet. Another round was broken to a total of 12 feet but was not muched out. Subsequent to the visit, the subcontractor muched out the second round, but as reported by W. W. Bentley, advisor representative for the operator, and later by the subcontractor in a letter to the Region IV Executive Officer, dated January 16, 1954, about 2 feet of bottom did not pull (fig. 1). Bentley was informed that this last 6 feet could not be approved; consequently, the operator did not make claim for it.

Results of 22 samples taken along 205 feet of vein exposure is as shown on the attached figure 1. Sample WLD-23 is noted as questionable. Samples, wherever possible, were taken at 10-foot intervals, and these samples are composites of the vein between both walls of the drift.

Sample results have shown a major portion of the vein material exposed to be substantially below marginal grade, except for approximately 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. Indicated reserves, based on the average assay width of the vein, are estimated as 900 tons with the above average assay as reported in the recent memorandum recommending Certification of Discovery or Development.

Stage II drifting is correctly reported on form MF-104A. Payment to the operator, based on the estimated, agreed unit cost of $45.50 per foot of advance, is recommended as $136.50, which is 50 percent of the allowable $273.00 claimed. Due to the uncertainty of project resumption, it is recommended that the Executive Officer, Region IV, be notified of possible deferment of this payment until the project work is continued.

F. W. Emerson, for
W. L. Dare
Mining Engineer

WLD/kp

cc 6
E26 Amend.
Chron

LARGE FORMAT DOCUMENTS AT END OF FILE

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

RECEIVED
JUN 27 1956

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of November 1953 Docket No. DMEA Contract No. DMI F26
Operator's Name Silver Bay Mines, Inc. Minerals Lead-Zinc
Address P. O. Box 1498, Salt Lake City, Utah
Contract Amount, $30,600.00 Government Participation: 50 % Amount, $ 15,300.00

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		3,980.55	3,980.55			
Drifting (Short Form)	273.00	4,868.50	5,141.50			
(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		246.41	246.41			
Track		427.43	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		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		199.40	199.44			
Vent Tubing		917.13	917.13			
(8) Contingencies (specify):						
TOTALS	273.00	26,368.50	26,641.50	273.00	26,368.50	26,641.50
				1/	318.62	318.62
					26,049.88	26,322.88

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

Date 3-26-54 *Payee

Per Ray Lehnquist Title Pres.

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

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

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:
See Sept. 1953 attached

Signature
(Authorized Certifying Officer)

Date 6/19/56 Vou. No.
(See other side)

1/ Previous Disallowance

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. DM-526 in accordance with the terms of the contract.

Signature [illegible] $136.50 [illegible] Title [illegible] Date 4-5-54

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature [illegible] Title Executive Officer Date JUN 18 1956

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED
JUN 27 1956

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of November 1953 Docket No. DMEA 187 Contract No. DMI 126
Operator's Name Silver Ray Mines, Inc. Minerals Lead-Zinc
Address P. O. 1108, 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	Authorized by Contract: Unit Costs
Drifting Stope X	Ft.			4,299.17	86.5	49.70	86.5	
Crosscutting Stope X	Ft.			16,476.03	329.5	50.01	329.5	
Raising Drifting Stope X	Ft.	273.00	6	5,113.50	113.0	45.50	200.0	45.50
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Total Distributed Costs		273.00	6	25,927.50				Total Costs Authorized by Contract
Operating Equipment Purchased				724.00				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Total Costs		273.00	✓	26,651.50				30,000.00

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 3-24-54 Operator Silver Ray Mines

Per Ray Eikenquist Title Pres.

Remarks:

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

(Instructions on reverse)

(For Government use only)

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

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

March 26, 1954

Re: IDM E 26

Department of Interior
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

Gentlemen:

During the month of November, 1953, the progress at the Blackhawk tunnel consisted of six feet advanced on the Big Indian Vein. The contractor abandoned an effort to swing the tunnel back on to the structure when a heavy flow of water was encountered in a wide open fissure at 107 feet from the measure point. He returned to the point where the vein turned sharply to the left, between 70 and 77 feet from the measure point, and advanced the six feet on the vein as reported above, and work in the future will be confined to the vein structure in this face. The total advance to date is 113 feet.

A recess for the winter months has been requested, and work is expected to resume in May.

Respectfully submitted

SILVER BAY MINES, INC.

Ray Lilmquist
President

RVL:F

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

JUN 8 1956

224 New Customhouse
Denver 2, Colorado

May 25, 1956

Mr. C. V. Liljenquist, Secretary
Silver Bay Mines, Inc.
1787 Blaine Avenue
Salt Lake City, Utah

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

Dear Mr. Liljenquist:

Consistent with the authority delegated to this office under Order No. 2608 from the Office of the Secretary, Department of the Interior, the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, does hereby accept your bid and proposal, dated May 18, 1956, in the amount of $578.79 in the liquidation of the jointly owned property and unexpended portion of materials and supplies acquired under Contract I-DMA-E26.

The sum of $578.79, reflecting both your and the Government's interests in the property liquidation, will be deducted from the gross amount of claims by you held pending in this office for reimbursement under the terms of the Contract, thereby automatically making a deduction from monies due you of the amount of $286.40 due the Government in the transaction; provided the gross amount of claims by you held pending in this office is sufficient to permit that manner of reimbursing the Government for its interest in the jointly owned property settlement.

In the event monies held pending in this office are insufficient to cover the amount due the Government, you will be advised of the additional amount due when the final audit of contract expenditures has been completed by the Contract Administration and Audit Division.

Very truly yours,

J. W. Townsend
Acting Executive Officer
DMEA Field Team, Region III

JWT:prl
cc: MF-104 File (5)
DMEA Auditor
Townsend
Corres. file
Chron.

Region III

Building 20
Denver Federal Center
Denver 2, Colorado
May 24, 1956

Memorandum

To: Executive Officer, DMEA Field Team, Region III
Through: John F. Shaw
Supervising Mining Engineer

From: C. M. Harrer

Subject: DMA 237, Contract Idm-526 (Lead-Zinc), Silver Bay Mines, Inc., San Juan County, Colorado -- Settlement of the Government's interest in jointly owned property.

C. V. Liljenquist, secretary of Silver Bay Mines, Inc., has submitted the highest of three bids on property owned jointly with the Government; letter of May 18, 1956. Pertinent data on this highest bid is tabulated as follows:

Salvageable items	Cost	Highest Bid	Percent of Cost
220 ft. of 2" and 1" pipe	$114.79 - new	$34.80	30.3
640 ft. of 20 lb. rail	184.71 - used	92.36	50.0
875 ft. of 12" flexipipe and 1-90° ell	917.13	183.43	20.0
6 mine cars, 3 new and 3 old	724.00	262.20	36.2

The mine is very wet and the above items have received severe usage for 4 to 5 years. It is therefore recommended that the bid by Silver Bay Mines, Inc. be accepted.

C. M. Harrer
C. M. Harrer
Mining Engineer

cc 7
Idm-526
Chron.

CMH/cn

DMEA
Date Rec'd

MAY 21 1956

BUREAU OF MINES
Denver, Colorado

May 18, 1956

JUN 7 1956

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

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

Dear Mr. Traver:

This constitutes our proposal covering the settlement of the Government's interest in the jointly owned property acquired under the above captioned contract.

The following is an abstract of bids received from Tech-Ser Mining Company, Argyle Mining & Milling Corporation and a bid from our Company, Silver Bay Mines, Inc.

Tech-Ser Mining Company's BID

Pipe	$ 30.00
Mine Track & Accessories	85.00
Cars (3Mine)	250.00
Ventilating tube	150.00
Total.	$ 515.00

Argyle Mining & Milling Corporation BID

Pipe	$ 29.00	
Track	73.88	
Mine Cars & Miscl. Equip.	205.00	
Vent tubing	00.00	No Value
Total.	$ 307.88	

Silver Bay Mines, Inc. BID

Pipe	$ 34.80
Track	92.36
Mine Cars, etc.	262.20
Vent tubing	183.43
Total.	$ 572.79

In as much as we are the high bidder, and if our bid is accepted, we authorize the Government to deduct Two Hundred Eighty-six Dollars and forty cents ($286.40) from funds now witheld by them, pending final audit, and in the event the funds witheld is not sufficient to meet this obligation we will pay the difference upon receiving notice from your office.

Respectfully submitted,

Silver Bay Mines, Inc.

C. V. Lilyquist, Sec'y

May 7, 1956

RECEIVED
JUN 8 1956

Mr. W. H. Traver
Executive Officer, DMEA
Field Team, Region 111
New Customhouse
Denver 2, Colorado

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

Dear Mr. Traver:

In reply to your letter of January 5th and March 5th, 1956 we enclose herewith two bids from independent sources on the jointly owned property purchased under the above captioned contract.

We also wish to submit our bid on the following items:

Item	Cost to the Project
Pipe	$ 114.79
Track	184.71
Mine Cars, etc.	724.00
Vent Tubing	917.13
	$ 1,940.63

Our Bid is as follows	Total Value	Our Cost
Pipe	$ 34.80	$ 17.40
Track	92.36	46.18
Mine Cars, etc.	262.20	131.10
Vent Tube	183.43	91.72
	$ 572.79	$ 286.40

Their are no other unexpended items, which originally cost in excess of $50.00, on hand.

Very truly yours,

Silver Bay Mines, Inc.

C. V. Lilyenquist

C. V. Lilyenquist, Secretary

May 5, 1956

RECEIVED
JUN 27 1956

C. V. Liljenquist
Silver Ray Mines, Inc.
1370 South Second West
Salt Lake City, Utah

Dear Mr. Liljenquist:

We wish to submit a bid on the property owned jointly by your Company and the Government under your contract I-BWA-126 , as outlined to us in your recent letter.

Items	Value	
Pipe	$ 29.00	
Track	73.88	
Mine cars & Misc. Equip.	205.00	
Vent Tubing	00.00	No Value
Total Bid	$ 307.88	

Please advise if our bid is accepted.

Very truly yours,

Argyle Mining and Milling Corp.

Alfred O. Brehmer

Alfred O. Brehmer, Secretary

TELEPHONE 3632

MAIL ADDRESS
P. O. BOX 1949

TECHNICAL SERVICES, *Incorporated*

206 URANIUM CENTER
GRAND JUNCTION, COLORADO

May 9, 1956

DMEA
Date Rec'd

MAY 11 1956

BUREAU OF MINES
Denver, Colorado

To: Silver Bay Mines
1787 Blaine Avenue
Salt Lake City, Utah

Attention: Mr. C. V. Lilenquist

To: Bureau of Mines
Denver Federal Center
Denver, Colorado

Gentlemen:

Tech-Ser Mining Company has been informed that property held jointly by the addressees has been posted for bids to purchase.

Tech-Ser Mining Company wishes to submit the following bid on equipment as tabulated below:

Pipe - - - - - - - - - - - - - - - - -	$ 30.00
Mine track and accessories - - - -	85.00
Cars (3 mine) - - - - - - - - - - - -	250.00
Ventilation tubing - - - - - - - - -	150.00
	$ 515.00

The equipment, as specified, is installed in the Black Hawk mine owned by the Silver Bay Mines located in San Juan County, Colorado.

Very truly yours,

TECH-SER MINING COMPANY

R. T. Brown

R. T. Brown

RTB:gw

COPY

BUR MINES 3-3-55

J. L. CHAMBERS, CHIEF, CONTRACT AND AUDIT DIVISION, DMEA

REURTEL. AMOUNTS BEING WITHHELD FROM PAYMENT ON FOLLOWING CONTRACTS.

IDM E-21	1100	United PARK CITY MINES CO.	NONE
26	487	SILVER BAY MINES, INC.	$2,275.00
29	606	U. S. METALS CORP.	1,991.30
67	371	PERU MINING COMPANY	2,721.35
84	1525	Moreno Uranium Corp.	1,329.89
309	1870	U. S. METALS CORP.	NONE

THOMAS H. BRADING

C
O
P
Y

TELETYPE

MAR 2 1955

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

Please retel amounts claimed by operators on forms MF-104 being withheld from payment on following contracts:

Idm-E21	DMEA-1100	United Park City Mines Co.
26	487	Silver Bay Mines, Inc.
29	606	U. S. Metals Corporation
67	371	Peru Mining Company
84	1525	Moreno Uranium Corp.
309	1870	U. S. Metals Corporation

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/wb
March 2, 1955

Copy to: Mails & Files
Admr. Reading File
Mr. Chambers
Confirmation

[illegible] OF THE INTERIOR
Defense Minerals Administration
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DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

INTERIM AUDIT CERTIFICATE

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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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 sundry 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 $1862.50 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 represant 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			820.03
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

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

NOV 12 1953

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

Re: Idm-126, DMA-407
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

Form MF-104 (Rev.)
(April 1953)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of August, 1953 Docket No. DMEA 1578 Contract No. DMA G 26
Operator's Name Silver Key Mines, Inc. Minerals Lead, Zinc
Address P.O. Box, Salt Lake City, Utah
Contract Amount, $ 3,600.00 Government Participation: 50 % Amount, $ 1,800.00

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		3,[illegible].55	3,[illegible].55			
Drifting (Short Form) Sec. 9 II	500.50	2,229.50	2,730.00			
(2) Labor and Supervision:						
Labor						
Supervision		750.00	750.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber		13.44	13.44			
Explosives		225.02	225.02			
Pipe		246.41	246.41			
Track		427.43	427.43			
Compressor Fuel		434.63	434.63			
Other Supplies		1,157.35	1,157.35			
(4) Operating Equipment:						
Rental		1,[illegible]	1,[illegible]			
Purchase		724.00	724.00			
Depreciation		1[illegible].30	1[illegible].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):						
				500.50	23,729.50	24,230.00
					*-318.62	*-318.62
TOTALS	500.50	23,729.50	24,230.00	500.50	23,410.88	23,911.38

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

Date 9-25-53 *Payee Silver Key Mines, Inc.

Per Ray Lilengquist *Title President

*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:

$250.25

Signature [illegible]
(Authorized Certifying Officer)

Date 10/5/53 Vou. No. DMA 54-35
(See other side)

* Previous Disallowances

(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. DM-E26 in accordance with the terms of the contract.

Signature Ulu Dare $250.25 Title [illegible] Date 9-28-53

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: K. D.

Signature W. H. King Title Executive Officer Date SEP 30 1953

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 MF-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 August 1953 Docket No. DMEA [illegible] Contract No. [illegible] 26
Operator's Name Silver Bay Mines Inc Minerals Lead, Zinc
Address [illegible]

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting Stage 1	Ft			4,222.17	66.5	63.50	66.5	
Crosscutting Stage 1	Ft			16,476.3	329.5	50.01	329.5	
Raising Drifting Stage 1	Ft	510.50	11	2,730.00	60.0	45.50	210.0	45.50
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		510.50	11	23,596.50				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				726.00				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		510.50		24,322.50				50,000.00

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 September 25, 1953 Operator Silver Bay Mines, Inc.

Per Roy Lilengquist Title President

REMARKS:

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

(Instructions on reverse)

(For Government use only)

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
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

224 New Customhouse
Denver 2, Colorado

September 30, 1953.

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMA Docket 487, Contract Idm-E26 (Lead-Zinc), Silver Bay Mines, Incorporated (Blackhawk Mine), San Juan County, Colorado. Operator's Monthly Progress Report for the period August 1953.

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

Work has been completed as authorized by the contract. No documentation is required for work performed under contracts prepared on Form MF-200A, therefore we recommend that payment be made for 50 percent of the amount reported by the Operator on Form MF-104, contingent on your verification of arithmetical accuracy within the report.

Remarks:

Date of Report	September 25, 1953.
Date Received in Field Office	September 28, 1953.
Date Received in Region Office	September 29, 1953.

W. H. King
W. H. King

Enclosures

RDB:cwm

cc: Contract
Secretary to the Oper. Comm. (2)
WMTraver
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
September 29, 1953

Memorandum

To: Executive Officer, Field Team, Region IV

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

Subject: DMA 487, Amended Contract Idm-E26 (Lead-zinc), Silver Bay Mines, Incorporated (Blackhawk mine), San Juan County, Colorado - Progress report for August 1953

Transmitted herewith are the original and four copies of the above progress report--forms MF-104 and MF-104A, with subcontractor's narrative--and the original and six copies of W. L. Dare's memorandum covering inspection of the underground progress and reporting forms. The project is being operated under a unit-cost amendment to the original contract, allowing drifting at $45.50 a foot.

Dare verifies the 11 feet of advance on the Big Indian vein reported in the subcontractor's narrative and entered on the MF-104A form. Entries and extensions on the reporting forms are correct.

Payment is recommended and certified on the MF-104 form of $250.25, or 50 percent of the total $500.50 claimed by the contractor.

W. M. Traver

W. M. Traver

enclosures

WMT/le
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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
September 28, 1953

Memorandum

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

From: W. L. Dare

Subject: DMA 487, Amended Contract Ida-826 (Lead-zinc), Silver Bay Mines, Incorporated (Blackhawk mine), San Juan County, Colorado - Progress report for August 1953

The Blackhawk mine was visited on September 2, 1953. Henry P. Ehrlinger, subcontractor, was contacted at the property and underground progress checked. Total exploration advance was 60 feet.

In the inspector's memorandum accompanying the July progress report, it was noted that the vein appeared to be curving northward. At the time of the July inspection, August 19, 1953, the hanging wall of the vein, at the face, was about 12 feet from the floor of the drift. The vein is very flat, dipping about 35° to the northeast, and where it began to curve, Ehrlinger left the vein and drove straight ahead into the footwall. As a result, the material sloughed from the hanging wall, causing the cave reported in the July narrative. A few stringers were noted in the face that split from the vein into the footwall. It was recommended that the drift be turned northward to get back on the vein.

When progress was inspected on September 2, 1953, Ehrlinger had driven another 11 feet on the same bearing and the face of the drift was in the solid footwall. In his August narrative, the subcontractor goes into detail, reporting "movement" of the vein in conjunction with the shattered material and stringers in the footwall, which resulted in his decision to drive into solid ground. It is not believed that there has been any faulting, but rather just a case of failing to stay on the vein. It was again recommended that the drift be turned as sharp as possible to get back on the vein. Because of the flatness of the vein Ehrlinger will continue to have trouble unless he keeps the vein in the breast.

W. N. Bentley, U. S. Metals Corporation, has been assigned by the contractor to supervise the work.

The advance of 11 feet is approved. Payment to the operator, based on the agreed unit cost of $45.50 per foot of advance, is recommended as $250.25, which is 50 percent of the $500.50 claimed.

W. L. Dare
Mining Engineer

WLD/lo
cc 6
E26
Chron

NARRATIVE REPORT

August 1953
Silver Bay Mines, Inc.

Docket [illegible]-437
Contract I-[illegible]-520

Reference is made to the July Narrative Report wherein the marking point was taken as 127' from the start. Measurements by both the Bureau of Mines Engineer and the undersigned showed it to be 132 and hence this correction in measurement of 5' will be taken into consideration in this month's work so that all of the measurements will agree in the future.

Starting point for this months work, as corrected, will be MP-211' and the measurement point for the last round in the month was MP-222' or a distance of 11' for the account for this month. This is now in agreement by all concerned.

During this month 78' of the tunnel were timbered with the conventional square sets of timber allowing for a clearance of 62" in width and 84" in height to meet the specifications. We were required to slab out the additional footages on the sides to make this tunnel meet with these specifications after timbering.

At a point approximately MP-202' we ran into a strong cross structure that came in the face from the footwall side of the vein and forced the vein into the hanging wall. This was also followed by a large number of small quartz filled stringers which were noted for about 25' to the breast and all coming in from the footwall side. We assumed that the strong feature was responsible for the movement of the vein but felt that this was a local condition and that the vein would get back to it's normal strike in a short distance so we elected to advance 25' thru the caved and shattered material to hard ground and then make a curve to get contact with the vein. We advanced to do this and then made a 25° turn to the Northeast.

It is too early to state what happened to the vein at the point of the structure coming into it but at that place only a small amount of mineralization was noted.

Henry F. Shallinger
Mining Engineer

Form MP-104 (Rev.) (Aug. 1952)

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

Defense Minerals Administration RECEIVED SEP 28 1953

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of July, 1953 Docket No. DMEA 487X Contract No. I-DMA-E26

Operator's Name Silver Bay Mines, Inc. Minerals Lead, Zinc

Address P.O. Box 1498, Salt Lake City, Utah

Contract Amount, $ 30,600.00 Government Participation: 50 % Amount, $ 15,300.00

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		3,980.55	3,980.55			
Drifting (Short Form) Stage II	2229.50		2,229.50			
(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		246.41	246.41			
Track		427.43	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		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	2229.50	21,500.00	23,729.50	2229.50	21500.00	23729.50
					- 318.62	- 318.62

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

Date 8-24-53 *Payee Silver Bay Mines

Per Ray Lilienquist Title Pres.

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

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

(Instructions on reverse) *previous disallowance

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

2229.50 21181.38 23410.88

$ 1114.75

Signature RRR (Authorized Certifying Officer)

Date 9/15/53 Voucher 54-27 (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. I-DM-526 in accordance with the terms of the contract.

Signature W. Dare #1,114.75 WMT Title Mining Engineer Date 9-8-53

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: R.B.B.

Signature W. H. King Title Executive Officer Date SEP 9 1953

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 MIP-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 July 1953 Docket No. DMEA 487X Contract No. I-DMA-E26
Operator's Name Silver Bay Mines, Inc. Minerals Lead, Zinc
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 Stage I	Ft.			4,299.17	86.5	49.70	86.5	
Crosscutting Stage I	Ft.			16,476.83	329.5	50.01	329.5	
~~Raising~~ Drifting Stage II	Ft.	2,229.50	49.0	2,229.50	49.0	45.50	200	45.50
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		2,229.50		23,005.50				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				724.00				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		2,229.50		23,729.50				

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

Date 8-24-53 Operator Silver Bay Mines, Inc.

Per Ray Lilienquist Title Pres.

REMARKS:

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

(Instructions on reverse)

(For Government use only)

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
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

224 New Customhouse
Denver 2, Colorado

September 9, 1953.

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMEA Docket 487, Contract Idm-E26 (Lead-Zinc), Silver Bay Mines (Blackhawk Mine), San Juan County, Colorado. Operator's Monthly Progress Report for the period July 1953.

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

Work has been completed as authorized by the contract. No documentation is required for work performed under contracts prepared on Form MF-200A, therefore we recommend that payment be made for 50 percent of the amount reported by the Operator on Form MF-104, contingent on your verification of arithmetical accuracy within the report.

Remarks:

Date of Report	August 24, 1953.
Date Received in Field Office	August 26, 1953.
Date Received in Region Office	September 8, 1953.

Delay of four days due to waiting for inspecting engineer to return from field to certify the reports.

W. H. King
W. H. King

Enclosures

RDB:cwm

cc: Contract
Secretary to the Oper. Comm. (2)
WMTraver
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
September 4, 1953

Memorandum

To: Executive Officer, Field Team, Region IV

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

Subject: DMEA 487, Amended Contract IDM-E26 (Lead-zinc), (Blackhawk mine), Silver Bay Mines, Inc., San Juan County, Colorado - Progress report for July 1953

Enclosed are the original and four copies of the above progress report, the initial one since amendment--forms MF-104 and MF-104A, with a narrative by the subcontractor--and the original and six copies of W. L. Dare's memorandum covering inspection of the underground progress and reporting form entries. The amendment is on short form MF-200(A) at an over-all unit cost of $45.50 per foot and requires no documentation.

Dare confirms the drift advance of 49.0 feet reported by the subcontractor in the narrative and entered by the operator on the MF-104A form. Dare finds the entries and extensions on the reporting forms correct.

Payment is recommended and certified on the MF-104 form of $1,114.75, or 50 percent of the total $2,229.50 claimed by the contractor.

W. M. Traver

W. M. Traver

enclosures

WMT/kp

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DMEA Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
September 4, 1953

Memorandum

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

From: W. L. Dare

Subject: DMSA 487, Amended Contract IDM-826 (Lead-zinc), (Blackhawk mine), Silver Bay Mines, Inc., San Juan County, Colorado - Progress report for July 1953

Henry P. Ehrlinger, subcontractor, was contacted at the Blackhawk mine on August 19, 1953. In his narrative the subcontractor reported that the exploration drift was advanced a total of 49 feet, but that a cave occurred near the face where they lost some 15 feet of the advance. At the time of the visit all but 8 feet of the cave was cleaned up and the face could be seen. The 49 feet was verified as correct.

The ground is very heavy, and to insure safety, about the last 30 feet of the 1952 work had to be retimbered, as well as about 40 feet of the new advance. The subcontractor is doing a very satisfactory job of timbering, using 12-inch round posts and caps.

The vein in the face has flattened, dipping about 35° northeast, and appears to be turning northward. The caved material broke from the hanging wall, which now stands some 12 feet above the drift floor.

Based on the agreed unit cost of $45.50 per foot of advance, payment to the operator is recommended as $1,114.75, which is 50 percent of the $2,229.50 claimed.

W. L. Dare
Mining Engineer

WLD/kp

cc 6
826
DMSA Chron

[illegible]

[illegible]

July, 1953

Docket [illegible]-437
Contract I-[illegible]-320

Reference is made to the Map of the Blackhawk Mine, San Juan County, Colorado, Brunton Compass Survey, [illegible], 1952, Scale 1"-20' which will be used hereinafter for reference on the progress of the project and the various findings therein.

Work on this project was started on June 29th, 1953 by the present contractor and a report to this effect was sent to the U. S. Bureau of Mines under date of June 27th, 1953.

There were several days of rehabilitation work to be completed before actual work on the tunnel driving could be started. At the close of the last year all of the ventuse was withdrawn from the mine and this all had to be replaced and installed and as the air was of such low oxygen content in the tunnel at the start of this work we could only make advances of about 100' per half shift and then allow the blower to push out the bad air.

When we finally arrived at the breast of the drift we found that about 15-20 tons of material had either caved, or had been washed down, from the Big Indian Vein and this material had to be mucked up before work could commence. At that time we had some doubts as to whether, or not, we could drive the tunnel under a vein of the width of the Big Indiana which varied from 2.5' to 6.0' and had a talc seam on both the hanging wall and the footwall but we thought that we would tryo to do this and see if we could hold it by arching the top.

After receipt of the Map referred to above we located MF-127' as a pin in the cap of the last timber placed by the previous contractor and this was recorded as the base point but we did make a measurement to the breast of the tunnel at the nearest point which was at the bottom of the tunnel and we found this to be MF-154 and as the MF-127' was to be used as the base point for all future measurements we have used that thruout all of the work reported herein.

As stated above we drove the tunnel according to the specifications from MF-154' to MF-188' as of the 15th of July, 1953 but the round, although drilled, and blasted had not been mucked out at the time of measurement but it was assumed that it would be at MF-190' on the 16th after mucking and we found that it was at this point the following day. The contractors were reimbursed for the full footage that they had drilled and balsted but were only given Company time for cleaning up the caveins which were encountered upon entry.

On July 31st, 1953 the measurement was taken as best was possible due to the cavein that was encountered and we determined it to be at MF-[illegible] which made some a total of [illegible] for the month of

July and this will be confirmed when the cavein reported later on in this report has been cleared away and all of the ground has been timbered so that this can be accomplished.

On July 17th, 1953, when our contractors were coming out of the tunnel with a load of waste the timbers in the main portal at a point approximately 50-60' from the adit gave way and dropped some 10-20 tons of oxidized material on the train causing a wreck and by a miracle did not kill the man that we operating the train. We had to clean this mess up and get the train out and then an attempt was made to shore this up so that the tunnel operations could continue but we found that all of the posts for about 30' were rotten and had a great deal of weight on them and we felt that the only thing to do was to retimber this section as rapidly as possible with new timber so as to protect the work. This work was approved by both Mr. William Lilonquist and Mr. Norman Carmack and was completed on a two shift basis for six days with the removal of about 50-60 tons of material that caved in when the old timbers were removed and also to widen the drift at this point so that a man could get between the timbers when the train was passing.

On July 23-24-25th work was again resumed in the main heading with caution since during the period of inoperation when the portal was being retimbered approximately 20 tons of vein material had worked loose and was on the drift. The contractors had a great deal of concern about the safety of the back and it was determined that at the end of the drifting in this period that something had to be done to protect the project in the way of timbering. At a point approximately 200' from 4F-0' we ran into a very string cross vein that was full of talc and soft and before we could stop this material from running we had drawn out about 50 tons of it and it had caved up and back about 15' from our heading. There was nothing else for us to do but to back timber the ground that had been drilled by the previous contractor and timber all that we had done and so for the rest of the month this work went on at a two shift basis with the posts being placed at 62" in the clear between them to accomodate a man and the mucking machine and the caps were raised from the 6'4" to 6'-10" and better so that mucking could be accomplished.

At the close of this month we are not able to report on the geological features encountered for we have not mucked out all of the caved ground but we have noticed that there was mineralization in the caved section of about two feet thickness and this seems to be increasing with the strike of the vein.

HENRY P. [illegible]
Mining Engineer

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

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

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

Month of October 195 2 Docket No. DMEA Contract No. DMA-E-26
Operator's Name Silver Bay Mines, Inc. Minerals Lead & Zinc, Copper & Silver
Address P.O. Box 1490, Salt Lake City, Utah
Contract Amount, $ 21,500.00 Government Participation 80 % Amount, $

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting		9,337.50	9,337.50			
Drifting	3,215.55	765.00	3,980.55			
(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	131.62	114.79	246.41	00	114.79	114.79
Track	187.00	240.43	427.43	00	240.43	240.43
Compressor Fuel		834.63	834.63			
Other Supplies		1,157.35	1,157.35			
(4) Operating Equipment:						
Rental		1,000.00	1,000.00			
Purchase		724.00	724.00			
Depreciation		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	3,534.17	17,965.83	21,500.00	3215.55	17,965.83	21,181.38

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

Date 3-19-53 *Payee Silver Bay Mines, Inc.

Per Ray Lilengquist Title Pres.

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

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

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$1607.77

Signature
(Authorized Certifying Officer)

Date 8/10/53 Vou. No. DMA 54-15

(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. I-DMA-E26 in accordance with the terms of the contract.

Signature W. Dave #923.8, MMT Title Mining Engineer Date 4-9-53

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: R.D.B.

Signature W. H. King Title Executive Officer Date JUL 22 1953

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 MF-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 1952 Docket No. DMEA _____ Contract No. 1-DMA-220
Operator's Name Silver Bay Mines, Inc. Minerals Lead, Zinc, Copper and Silver
Address P.O. Box 1400, 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	AUTHORIZED BY CONTRACT Unit Costs
Drifting		3586.17	60.5	4,299.17	86.5		650	
Crosscutting				16,476.83	329.5		150	
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS				20,776.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				724.00				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS				21,500.00				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 3-19-53 Operator Silver Bay Mines, Inc.

Per Ray Lilenquist Title Pres.

REMARKS: Ties rail and pipes are included for both Sept. and Oct. inasmuch as charges for these items were not included in our September vouchers.

→ 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

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG 17 1953

Administrative Audit Difference Statement

Date: August 10, 1953
Payee's
Reference: Progress
Report - October, 1952

Silver Day Mines, Inc.
1370 South 2nd West St.
Salt Lake City, Utah
I-DMA-E-26

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

Amount Claimed $ 3,534.17

Difference $ 318.62

Amount Approved $ 3,215.55

The reason for the difference was due to:

Amount listed for pipe	$131.62
Amount listed for track	187.00
	$318.62

Lacks documentation and may be reclaimed when supported by proper billing.

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

Very sincerely yours,

N. E. Stokes
Audit Section

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

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

224 New Customhouse
Denver 2, Colorado

July 22, 1953.

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMA Docket 487X, Contract I-DMA-E26 (Lead-Zinc), Silver Bay Mines, Inc. (Blackhawk Mine), San Juan County, Colorado. Operator's Monthly Progress Report for the period October 1952.

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

Work has been accomplished as authorized in the contract and payment is recommended for 50 percent of the amount as reported on Form MF-104, contingent on your verification of the correctness of applicable rates and arithmetical accuracy of computations, except for the following deductions.

Pipe - $131.62 Track - $187.00 Lack of proper documentation.

Remarks:

Date of Report	March 19, 1953.
Date Received in Field Office	March 23, 1953.
Date Received in Region Office	April 15, 1953.
Date Processed for Payment	July 22, 1953.

Held up for settlement of Government equities. Additional funds were approved by Amended Contract, therefore settlement of equities in jointly-owned property will be deferred until the end of the project.

W. H. King
W. H. King

Enclosures

RDB:cwm

cc: Contract
Secretary to the Oper. Comm. (2)
WMTraver
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
April 14, 1953

Memorandum

To: Executive Officer, Field Team, Region IV

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

Subject: DMA 487X, Contract I-DMA-E26 (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado - Progress report for October 1952

Please find enclosed the original and four copies of the subject progress report--forms MF-104 and MF-104A, with narrative, progress map, and required documentation--and the original and six copies of W. L. Dare's memorandum covering inspection of the underground progress and accounts.

The underground progress, while not confirmed by the narrative, is explained in the inspector's memorandum. The accounts had prior approval from your staff and the claim of $3,534.17 is accordingly approved.

Fifty percent of the amount approved is $1,767.08 and from this sum the Government's equity in equipment of $843.27 should be held and $923.81 paid to the contractor.

You have been advised that U. S. Metals cancelled their subcontract with Silver Bay Mines, Inc., for continuation of the drifting and we understand Lilenquist has negotiated with Henry P. Ehrlinger to take over the subcontract. This will be confirmed on our next San Juan inspection trip.

W. M. Traver

W. M. Traver

enclosures
WMT/amh
cc: 4
E26
DMEA Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
April 14, 1953

Memorandum

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

From: W. L. Dare

Subject: DMA 487X, Contract I-DMA-826 (Lead-zinc), Silver Ray Mines, Inc. (Blackhawk mine), San Juan County, Colorado - Progress report for October 1952

The Blackhawk mine was visited on November 19, 1952, by R. R. McLellan and W. L. Dare. Underground progress was checked with Walter Bentley, engineer for U. S. Metals Corporation, the independent contractor driving the drift.

As shown on the attached progress map, drift footage is differentiated from crosscut footage at a point where the crosscut first intersects spurs of the vein. On the map this survey point is designated as MP-0' and Bentley has a spad in the back of the drift at this point. The subcontractor had advanced the drift 162 feet when operations were suspended due to heavy snows. At the time of the visit, the drift was advanced a total of 154 feet.

The total estimated cost of the project as set forth in the contract is $21,500.00. Total approved costs through September 1952 amount to $17,965.83. The unexpended balance as of October 1, 1952, is therefore $3,534.17 and is the amount claimed in the October progress report. From the amount of $3,534.17, the operator subtracted his pipe and track costs ($318.62) shown under item (3) and the remainder, $3,215.55, he charges against item (1), Drifting. This contract drifting charge is allowable as the submitted invoices for October show a total of 101 feet of advance at a billed cost of $4,285.00. The operator has shown October's drift footage on form MP-104A as 69.5 feet, with total footage to date as 86.5. Computing October's DMEA footage applicable to the charge of $3,215.55, and based on the invoices, the figure of 74.3 feet is obtained. In order to justify the drifting charge on the basis of the maximum cost per foot in the approved subcontract, we will have to accept the 74.3 feet instead of 69.5 feet.

According to the footage charged by the subcontractor, the total to date is 118 feet; 17 feet in September and 101 feet in October. It is known that 5 feet of September's footage was for equivalent slabbing at the point where the crosscut first cut the stringers and, consequently, actual linear advance was 12 feet. Adding the 74.3 feet in October and 12 feet in September, the total linear footage amounts to 86.3, and the units to date of 86.5 on form MF-104A are approved.

In the narrative, the operator mentions 74.3 feet charged to DMEA in October but takes into account the total 17 feet of September when he states that total DMEA footage is 91.3. The approved total of 86.5 is shown on the attached progress map.

Although the request for additional funds is pending approval in Washington, it is recommended that sufficient funds be withheld to cover Government equity in equipment and supplies purchased.

The following equipment and supplies were purchased on a participation basis:

Item	Description	Purchase value, less tax and freight
Mine cars	3 new	$ 604.00
Mine cars	3 used	120.00
Pipe	422.5 feet of 1- and 2-inch	246.41
Rail	842.5 feet of 20-pound	400.31
Vent tube	800 feet of flexipipe, 12-inch, with accessories	899.15
		$2,269.87

Allowing 20 percent depreciation on the six mine cars, 20 percent loss on the original value of vent pipe, and 40 percent nonrecoverable value of the pipe and rail, Government equity will amount to 50 percent of $1,686.55, or $843.27.

Government participation is based on 50 percent of the $3,534.17 claimed minus approximate Government equity in equipment and supplies. Payment is recommended as $923.81.

W. L. Dare
Mining Engineer

attachment
WLD/amh
cc: 6
E26
DMEA Chron.

November 5, 1952

INVOICE TO:

SILVER BAY MINES, INC.
1787 Blaine Avenue
Salt Lake City, Utah

PAYROLL PERIOD ENDING OCTOBER 31, 1952

Black Hawk Tunnel

Assaya	$ 22.50
5' timbered tunnel advance	225.00
52' regular tunnel advance	2080.00
	$2327.50

U.S. METALS CORPORATION

By Robert C Brown
Pres.

[illegible]

[illegible]

[illegible]

[illegible]

TOTAL FOOTAGE MADE FOR OCT'

44'
5'
52'
101'

March 19, 1953

Mr. W. H. King, Chief Engineer
U.S. Bureau of Mines
214 Custom House Bldg.
Denver 2, Colorado

Dear Mr. King:

During the month of October, 1952, an advance of 74.3 ft. was made in the drift on the vein in the Black Hawk Mine under the contract at which time October 26, 1952, a total of 91.3 ft. was reached, the loan funds were exhausted. A total of 51 ft. was timbered, a part of which is in the crosscut through the vein. A further advance of 21.7 ft. to a total of 113 ft. was made at the owner's expense.

An additional advance of 49 ft. was made during November and the fore part of December, to a total of 162 ft. at which point the work was recessed for the winter. During the latter period, an additional 5 ft. was timbered at the owner's expense.

Respectfully submitted,

Walter W. Bentley
Walter W. Bentley
Engineer

DMA 487, Contract I-DMA-E26
Silver Bay Mines, Inc.
San Juan County, Colorado

LARGE FORMAT DOCUMENTS AT END OF FILE

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

224 New Customhouse
Denver 2, Colorado

June 17, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 18 1953

Mr. T. J. Christiansen
Certified Public Accountant
Phillips Petroleum Building
Salt Lake City, Utah

Dear Mr. Christiansen:

Please refer to your letter dated June 12, 1953, concerning the records of Silver Bay Mines, Inc., Contract Idm-E26, Docket DMA 487.

A check at the office of the Colorado Branch, Bureau of Mines, and with the Mining Engineer who supervised the project during its operating season June 27 to October 5, 1951, failed to locate the missing invoices and payrolls.

Reference to the original monthly reports of the company in the files of the Finance Office at Denver, Colorado indicates the material was retained by the company. The lists of invoices accompanying the reports bears a statement that the supporting documents are on file at the company's office.

It is possible that Mr. Casteller is confusing the operating period of 1952 with that of 1951. It was not until May, 1952 or shortly thereafter that the Defense Minerals Exploration Administration required that originals or certified copies of invoices, payrolls and other supporting data be submitted with the monthly reports. Such submission was not required during the company's 1951 operating period.

Very truly yours,

Donald T. Finch
Auditor

DTF:ld

cc: Mr. Chambers
sub
chron

C O P Y

CHRISTIANSEN & FAGG
Certified Public Accountants
Phillips Petroleum Bldg.
Salt Lake City, Utah

June 12, 1953

Mr. Donald T. Finch, Auditor
U. S. Department of Interior
Defense Minerals Exploration Administration
Denver, Colorado

Dear Mr. Finch: Re: Silver Bay Mines Inc. I-DMA-E26, Docket No. DMA 487

Since writing you on May 19, I have been able to get in touch with Mr. John Casteller who prepared the operators monthly report and voucher form Mf-104, for the period June 27 to October 5, 1951. Mr. Casteller informs me that the invoices, payrolls, time cards and other supporting data were submitted to the engineers of the Defense Minerals Exploration Administration along with the operators monthly report. I am wondering if you could check the files in your Denver office and see if the documents might be there.

We have exausted all the possibilities locally for locating these records. Mr. Casteller informs us that DMA engineers require that these documents be submitted with the vouchers, and he is quite positive in his statements that they were turned over to the engineer although he does not advise us the name of the individual or give us any other more definite information.

It will be appreciated if you will investigate this aspect of the matter at your end and advise me of the results. If it developes that you do not have the documents then we will begin immediately to endeavor to secure duplicates.

Very truly yours,

/s/ T. J. Christiansen

T. J. Christiansen

TJC:oc

T. J. CHRISTIANSEN
Certified Public Accountant
McIntyre Building, Salt Lake City 1, Utah

C
O
P
Y

May 25, 1953

Mr. Donald T. Finch, Auditor
U. S. Department of Interior
Defense Minerals Exploration Administration
224 New Customhouse
Denver, Colorado

Dear Mr. Finch:

This will acknowledge receipt of your letter of May 14, regarding the audit of the Silver Bay Mines, Inc. in connection with Defense Minerals Exploration Administration Contract No. I-DMA-E26, Docket No. DMA 487.

We confirm your understanding that the company and this office will endeavor to locate the records required by you and that as soon as they are available we will notify you so that you can complete the audit. Your consideration in this matter is appreciated.

Very truly yours,

/s/ T. J. Christiansen

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

224 New Customhouse
Denver 2, Colorado

May 14, 1953

Mr. T. J. Christiansen, C.P.A.
Room 218
Phillips Petroleum Co. Building
Salt Lake City, Utah

Dear Mr. Christiansen:

Reference is made to our conferences at your office on May 12 and 13, 1953, concerning the audit of expenditures by the Silver Bay Mines Incorporated in connection with Defense Minerals Exploration Administration Contract No. I-DMA-E26, Docket No. DMA 487.

At the time of these conferences, the Silver Bay Mines Incorporated were unable to furnish any source data such as invoices, payrolls, time cards or cancelled checks, covering expenditures claimed on Operator's Monthly Report and Voucher (Form MF-104) for the period June 27 to October 5, 1951.

It is understood the above data was never submitted to you by the company, and at the present time, it appears that it has been either lost or mislaid.

It is further understood that you and the company will endeavor to locate the necessary records as soon as possible, and that this office will be notified when the material is available for audit by the Defense Minerals Administration.

Very truly yours,

Donald T. Finch

Donald T. Finch
Auditor, Region IV

DTF:es

cc: Chambers
King (2)
Chron.
Subject

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

DEPARTMENT OF THE INTERIOR
Budget Bureau No. 42-R036.3.
Approval expires 6-30-53.
Defense Minerals Administration
RECEIVED
NOV 21 1952

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of September, 1952 Docket No. DMEA 487X Contract No. I-DMA-E26
Operator's Name Silver Bay Mines, Inc. Minerals Lead, Zinc
Address P. O. Box 1498, Salt Lake City, Utah
Contract Amount, $21,500.00 Government Participation: 50 % 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	3515.00	5822.50	9337.50			
Drifting	765.00	—	765.00			
(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		114.79	114.79			
Track		240.43	240.43			
Compressor & Fuel		834.63	834.63			
Other Supplies		1157.35	1157.35			
(4) Operating Equipment:						
Rental		1800.00	1800.00			
Purchase		724.00	724.00			
Equipment 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	4280.00	13,685.83	17,965.83	4,280.00	13,685.83	17,965.83

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

Date Oct. 24, 52 *Payee SILVER BAY MINES, INC.

Per Ray Lilengquist Title Pres.

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

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

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$2140.00

Signature [illegible]
(Authorized Certifying Officer)

Date 11/13/52 Vou. No. DMA 53-60

(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. I-DMA-E26 in accordance with the terms of the contract.

Signature R.R. McLellan 2,140.00 Title Mining Engineer Date 10/29/52

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature J. F. Shaw for W. H. King Title Executive Officer Date 11-7-52

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 MF-104A
(April 1952)

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 21 1952

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of September 1952 Docket No. DMEA 487X Contract No. I-DMA-E26
Operator's Name SILVER BAY MINES, INC., Minerals Lead, Zinc
Address P. O. Box 1498, Salt Lake City, Utah Copper, Silver

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting @ 45.00	feet	765.00	17	765.00	17	45.00	650	
Crosscutting	feet	3515.00	84½	16476.83	329½	50.00	150	
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Total Distributed Costs		4280.00	101½	17,241.83				Total Costs Authorized by Contract
Operating Equipment Purchased				724.00				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Total Costs				17,965.83				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 Oct. 24, 1952 Operator SILVER BAY MINES, INC.

Per Ray Lehmquist Title Pres.

Remarks: Estimated footage per contract for crosscutting to contact Big Indian Vein was 150 ft. It actually took 329½ feet of crosscutting to hit this vein.

We are now drifting on the vein.

→ 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
DEFENSE MINERALS ADMINISTRATION
WASHINGTON 25, D. C.

224 New Customhouse
Denver 2, Colorado

November 7, 1952

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMA Docket 487X, Contract I-DM-E26 (Lead-Zinc), Silver Bay Mines Inc., San Juan County, Colorado - Operator's Monthly Progress Report, for the period of September, 1952

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

Work has been accomplished as authorized in the contract and payment is recommended for 50 percent of the amount as reported on Form MF-104, contingent on your verification of the correctness of applicable rates and arithmetical accuracy of computations.

J. F. Shaw

J. F. Shaw

for W. H. King

Enclosures
JFS:es

cc: Secretary to the Oper. Comm. (2)
Contract
Traver
Chron.
Koschmann (2)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
October 31, 1952

Memorandum

To: Executive Officer, Field Team, Region IV

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

Subject: DMA Docket 487X, Contract I-DMA-E26 (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado - Progress report for September 1952

Please find enclosed five copies of the above progress report forms MF-104 and MF-104A, with required documentation -- and seven copies of Russell R. McLellan's memorandum covering inspection of underground progress and accounts.

Progress underground, incorrectly reported in the contractor's narrative but correct on the MF 104A form, is adequately explained in McLellan's memorandum. The accounts are apparently in order according to our interpretation of the contract, amendment, and the subcontract.

Payment is recommended of $2,140.00, or 50 percent of the total $4,280.00 claimed by the contractor, subject to approval of your staff and the audit and accounts section.

W. M. Traver, Jr.

W. M. Traver, Jr.

enclosures

WMT/cb

cc 4
AHKoschmann
E26
DMEA Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
October 30, 1952

Memorandum

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

From: R. R. McLellan

Subject: DMA Docket 487X, Contract I-DMA-E26 (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado - Progress report for September 1952

Underground progress was checked at the Blackhawk mine on September 22, 1952, by R. R. McLellan and W. L. Dare. All work was accomplished as reported on the operator's 104-A form - 17 feet of drifting and 84.5 feet of crosscutting. The narrative report is not clear in explaining the distribution of the footage. In the first paragraph, Lilenquist intended to say that 84.5 feet of crosscutting had been driven during the month for a total of 180.5 feet of crosscutting. In the second paragraph, he intended to say that a total of 5 feet of drifting, 2.5 feet each direction along the vein, is charged to the "enlarging round" drilled to allow drifting in both directions. The additional advance of 12 feet to the northeast along the vein, plus the 5 feet previously described, comprises the total drift footage of 17 feet, The total advance for the month is 84.5 feet plus 17 feet, or 101.5 feet of crosscutting and drifting.

On the day previous to the monthly inspection in September, the operator had exposed a vein in the crosscut. It was not certain at the time if this vein was the Big Indian, for the strike and dip were considerably different than expected. Verbal permission was given the operator to drift on the vein for it appeared that the vein was a spur of the Big Indian and would intersect the Big Indian within 100 feet. At the date of inspection in October, the operator had drifted northwest along the vein 73 feet, but had not encountered a junction. A small amount of lead-zinc ore was noted in the vein near the initial exposure.

The operator appears to be of the opinion that the vein now being followed is the Big Indian although the strike is N. 37° E. instead of almost due west as expected for the Big Indian vein.

The U. S. Metals Corporation, subcontractors, has billed Silver Bay Mines, Inc., $116.00 for labor and $3.95 for lumber, but it has not been charged against the project.

Payment of $2,140.00 is recommended, or 50 percent of the $4,280.00 claimed.

R. R. McLellan
R. R. McLellan
Mining Engineer

RRM/cb

cc 6
AHKoschmann
E26
DMEA Chron.

P. O. Box 1496
Salt Lake City, Utah

October 24, 1952

Mr. W. M. Traver, Jr., Chief
Colorado Branch
Mining Division, Region IV
Building 20, Room 137
Denver Federal Center
Denver 14, Colorado

Dear Mr. Traver:

The work performed at the Blackhawk tunnel project in September, 1952, consisted of driving a crosscut to and through a vein structure. The advance for this phase for the month was 84½ feet for a total distance of 180½ feet from the point where work commenced this season. Forty-four feet of this section was timbered.

When the hanging wall of the vein was encountered, an enlarging round was drilled to allow a turn in either direction on the vein, and an additional advance of 12 feet made in the northeast drift. You will note that the equivalent of a half round, or 2½ feet, has been allowed for the enlarging for twine, and is not included in the other advance figures, so that in the future the totals reported will be accurate and not include any extra footage for allowances.

Respectfully submitted

SILVER BAY MINES, INC.

By Ray Lilienquist
President

RVL:F

[illegible]
[illegible]
[illegible], [illegible]

Statement of footage driven in Black Rock Tunnel contract for first half of September 1942

18 feet of timbered tunnel at $60.00 per foot	$540.00
20 feet regular tunnel at $40.00 per foot	1120.00
	$1660.00

~~Continued here~~

Previous total 96 feet, present total	130 feet
Timbered previous total 30 feet, present total	50 feet.

Total advance first half of September 1942, 60 feet, 18 feet of which was timbered and 20 feet was regular or untimbered.

U.S. [illegible] [illegible]

By [illegible]

The Mutual Organization
(Of Federal Employees)
Denver, Colorado

Payroll period ending September 30 2000
Plant Prof. Cannon

Cover	$336.00
200 feet regular tunnel advance @ $5.50 per ft.	1100.00
55 feet elaborate tunnel advanced @ $66.00 per ft.	3640.00
	~~5076.00~~
Plus invoice attached	2.00
	~~5078.00~~

U.S. MINES CORPORATION

By Carl Pearson

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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NOV 3 1952

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of July and August, 1952 Docket No. DMEA 487X Contract No. I-DMA-E26
Operator's Name Silver Bay Mines Inc., Minerals Lead & Zinc
Address P. O. Box 1498, Salt Lake City, Utah
Contract Amount, $21,500.00 Government Participation: 50 % 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	3960.00	1862.50	5822.50			
Drifting						
(2) Labor and Supervision:						
Labor	-					
Supervision	-	750.00	750.00			
Technical Services	-	450.00	450.00			
(3) Operating Mat'ls. and Supplies:						
Timber	13.44	231.11	244.55			
Explosives	-	972.44	972.44			
Pipe	64.00	423.00	487.00			
Track	59.20	880.21	939.41			
Vent tubing	917.13	- -	917.13			
Compressor fuel		849.45	849.45			
(4) Operating Equipment:						
Rental		1800.00	1800.00			
Purchase	- -	804.00	804.00			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
				5013.77	*9,381.06	14,394.83
					**- 700.00	700.00
TOTALS	5013.77	9,022.71	14,036.48	5013.77	8,681.06	13,694.83

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

Date Sept. 15, 1952 *Payee SILVER BAY MINES INC.,

Per Ray Lilienquist Title Pres.

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

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

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$2506.89

Signature NS
(Authorized Certifying Officer)

Date 10/30/52 Vou. 53-55
(See other side)

* Erroneous previous totals carried forward
** Previous deductions

(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. F-DMA-E26 in accordance with the terms of the contract.

Signature R. R. McLellan 2506 St. Title Mining Engineer Date 10/20/52

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature W. H. King Title Executive Officer Date 10/23/52

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 MF-104A
(April 1952)

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 3 1952

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of July & Aug. 1952 Docket No. DMEA 487X Contract No. I-DMA-E26
Operator's Name SILVER BAY MINES, INC. Minerals Lead, Zinc, Silver, Copper
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	AUTHORIZED BY CONTRACT Unit Costs
Drifting							650	
Crosscutting	feet	5013.77	96	13,232.48	245	54.01	150	
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		5013.77	96	13,232.48				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased		—		804.00				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		5013.77		14,036.48				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 Sept. 15, 1952 Operator SILVER BAY MINES, INC.
Per Ray Lilenquist Title Pres.

REMARKS:

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

(Instructions on reverse)

(For Government use only)

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
DEFENSE MINERALS ADMINISTRATION
WASHINGTON 25, D. C.

224 New Customhouse
Denver 2, Colorado

October 23, 1952

Memorandum

To: T. A. Christensen

From: Executive Officer, Field Team, Region IV

Subject: DMA Docket 487X, Contract I-DMA-E26, (Zinc-Lead) Silver Bay Mines, Inc., San Juan County, Colorado - Operator's Monthly Progress Report for the period of July and August, 1952

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

Work has been accomplished as authorized in the contract and payment is recommended for 50 percent of the amount as reported on Form MF-104, contingent on your verification of the correctness of applicable rates and arithmetical accuracy of computations.

Remarks: Errors in Totals previously reported and extensions of totals to date will be corrected on the next report.

W. H. King
W. H. King

Enclosures

JWT:oc
cc: Contract
Secretary to the Operating Committee (2)
WMTraver
Chron.
AHKoschmann (2)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

XXXXXXXXXXXX
WESTERN REGION

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
October 21, 1952

Memorandum

To: Executive Officer, Field Team, Region IV

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

Subject: DMA 487X, Contract I-DMA-E26 (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado - July-August 1952 progress report

Please find enclosed five copies of the above progress report--forms MF-104 and MF-104A, with required documentation--and seven copies of Russell R. McLellan's memorandum covering inspection of underground progress and accounts.

The progress report is fully explained in the inspecting engineer's memorandum. Subsequent forms MF-104 (revised) and MF-104A will require adjustments in the cumulative figures.

A letter, copy attached, has been written to Silver Bay Mines, Inc., pointing out necessary corrections which we hope will be made on the September report.

Payment of $2,506.88, or 50 percent of the total $5,013.77 claimed by the contractor, is approved.

W. M. Traver, Jr.

W. M. Traver, Jr.

enclosures

WMT/amh

cc 4
AHKoschmann
E26
DMEA Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

XXXXXXXXXXXXXX
Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
October 20, 1952

Memorandum

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

From: Russell R. McLellan

Subject: DMA 487X, Contract I-DMA-E26 (Lead-zinc), Silver Bay Mines, Inc. (Blackhawk mine), San Juan County, Colorado - July-August 1952 progress report

The July-August progress report was received originally on September 16, 1952, but was returned for revision. A revised report was received October 14.

Progress was checked in the field on September 20, 1952. At that time, the U. S. Metals Corporation, as subcontractors, had driven a total of 157.5 feet. They had timbered 36 feet of the crosscut which was required because of a water course area encountered. The water course was discharging a heavy flow of water under high pressure. It blew in behind the miners at the crosscut face and partially caved the workings. It required rail spiling along the east side of the crosscut. It was also necessary to drill holes in the crosscut bottom, insert old drill steel, and place rails between the protruding drill steel and the bottom of the posts to keep the posts from kicking out.

The round blasted on September 19 had exposed a very flat northwesterly dipping vein. The footwall was exposed but the hanging wall was not cut. This vein was striking northeasterly. It is not known if this is the Big Indian vein as that vein has an easterly strike. Except for one narrow streak, there was very little lead-zinc mineralization showing in the vein. Verbal permission was given to install a back switch to the southwest and to drive northeasterly on this vein. If this is not the Big Indian vein, it should intersect that vein in about 100 feet.

The Silver Bay Mines, Inc., has claimed 12 feet of crosscut advance in July and 84 feet in August for a total of 96 feet. Of this total, 24 feet is claimed as timbered. The field inspection confirmed the amounts claimed.

Since the subcontract for driving the crosscut and drifting allows a flat fee per foot of advance plus track, ties, and pipe, several items claimed by the operator on his first MF-104 forms submitted have been deleted from the corrected MF-104 forms. These items still show on the distribution sheet. They amount to $1,142.07 which is nearly $11.00 per foot of advance.

The operator mentions in his transmittal letter that he has not been paid for 50 percent of the October account. However, he was paid this amount along with the September account under date of December 18, 1951.

The Silver Bay Mines, Inc., home offices are in Salt Lake City, Utah; their accounts and invoices are now kept there. Previous to the subcontract work, the operator's books and accounts were inspected at Silverton, Colorado, after they were returned from Salt Lake City where the forms MF-104 were made out.

July-August claims for expenditures are supported by typewritten copies of invoices or billings. There was no actual invoice from the subcontractor, only a typewritten summary signed by Silver Bay Mines, Inc. This has been corrected by obtaining invoices directly from the subcontractor's office in Denver.

Warehouse withdrawals for the project from Silver Bay Mines, Inc., stock are supported by typewritten summary. These items are all chargeable to the project according to terms of the subcontract. An objection was raised to the $0.84 cost for mine ties. The operator has reduced his charge by 50 percent which is more in line with other operators' charges for mine ties.

An invoice copy of stock withdrawal from the subcontractor's warehouse is submitted by the operator. The subcontractor is to furnish all supplies except pipe, track, and ties; therefore, only the pipe used, $32.00, is allowable and can be charged by Silver Bay Mines, Inc.

The invoice copy, certified by the subcontractor's clerk and signed by Silver Bay Mines, Inc., for ventilation tubing is considered to be allowable as pipe, although the subcontract does not specifically itemize ventilation pipe or tubing. Ventilation is necessary in the project work.

Payrolls attached to the MF-104's are for day's pay rehabilitation and preparation prior to drifting and surface plant replacement. These are not allowable under the subcontract.

The MF-104 totals do not include the October 1951 charges which should have been included. Deductions by DMEA audits section are not reflected in the totals. Timber, track, and pipe totals previously reported include past charges to supplies--other, transportation, and equipment repair.

Silver Bay Mines, Inc., has in the past included a monthly listing of vendors and partially detailed breakdown of charges for each month's operation. These can be used to distribute the proper MF-104 charges to the following extent:

Month	Timber	Explosives	Pipe	Track	Compressor Fuel	Other	Transportation
July	-	$155.56	$50.79	$ 44.88	$170.00	$ 205.18	-
August	-	177.39	-	28.60	184.40*	239.48	$150.00
					123.22	280.87	
						56.50	
						15.00	
September	-	369.70	-	80.63	3.73	196.34	49.44
		215.42			198.10	166.98	
						15.00	
October	-	7.75	-	-	141.18	209.42	-
Totals	-	$925.82	$50.79	$154.11	$820.63	$1,384.77	$199.44

*$170.00 deducted as duplicate charge.

The other group includes equipment repair, some pipe, and probably timber (ties) as well as the usual miscellaneous grouping of supplies--other. Proper detailed distribution cannot be made without access to the invoices for each month.

Previous totals should be reduced by the following deductions:

Technical services	-$450.00
Compressor fuel	-$170.00
Equipment purchase	-$80.00

The previous totals should be increased by the October 1951 charges which were not included by the operator in the July-August 1952 report.

This is the first report by the Silver Bay Mines, Inc., using the revised MF-104 and MF-104A forms. The current monthly report for July-August 1952 is in accord with instructions and the totals have been corrected with deletions of nonallowable items.

Payment is approved for $2,506.88, which is 50 percent of the total claimed.

Scott W Hagen Jr
for Russell R. McLellan
Mining Engineer

SWH/amh

cc; 6
AHKoschmann
E26
DMEA Chron.

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

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

Re: Docket No. DMA-487K
Contract No. I-DMA-E26

Dear Mr. King:

Enclosed please find forms MP-104A and MP-104 covering work done at Silver Day mines in Blackhawk tunnel during the months of July and August.

Before commencing actual work in driving the tunnel we engaged engineers to make a complete survey and map of the Big Indian vein on the surface and also through the tunnel, which accounts for the lateness of our starting work in driving the tunnel.

Before commencing actual work in driving the tunnel it was necessary for us to make a 45 degree turn in the direction of the tunnel. This necessitated considerable work in slabbing at the face of the tunnel. It was also necessary for us to install a switch near the face of the tunnel so as to be able to handle the mine cars and mucking machine with proper dispatch. Some work was necessary in over-hauling track. Due to the fact that we encountered bad air in our workings last year it was also necessary for us to install ventilating equipment to furnish sufficient air for our operations this year. This ventilating equipment was installed during the month of May to allow the engineers to complete the survey of the tunnel.

On July 26th we started driving the tunnel and made 12 feet during that month. During the month of August we drove 84 feet making a total of 96 feet which this form 104 covers. During this entire distance considerable water and soft ground was encountered, which slowed us up considerably in making footage. This necessitated our timbering and spiling through this bad area to the extent of 84 feet.

All this work has been performed by the U.S. Metals Corporation with whom we have a contract for driving our tunnel this year.

Very truly yours,
SILVER DAY MINES INC.
By Ray Lilenquist

Standard Form No. 1034a—Rev.
Form approved by
Comptroller General, U. S.
May 26, 1938
(Amended August 15, 1941)

PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL

D. O. Vou. No. _____
Bu. Vou. No. DMA-120

GENERAL ACCOUNTING OFFICE PREAUDIT
Certified for payment in the sum of $_____
Comptroller General of the United States
By _____

U. S. Department of the Interior, Bureau of Mines
(Department, bureau, or establishment)

Voucher prepared at _____ Dec 18, 1951
(Give place and date)

THE UNITED STATES, Dr.,

To Silver Bay Mines, Inc
(Payee)

Address 1570 South 2nd West Street, Salt Lake City, Utah
Payee's Account No. _____

PAID BY
(For use of Paying Office)

No. and Date of Order	Date of Delivery or Service	Articles or Services (Enter description, item number of contract or general supply schedule, and other information deemed necessary) Terms _____% Discount Cash _____ days	Quantity	UNIT PRICE Cost	UNIT PRICE Per	AMOUNT Dollars	AMOUNT Cts.
		Brought forward from continuation sheet(s)					
	Sept 1951	Certified "Operator's Monthly Progress Report" for the Mineral Exploration Program attached:				1397	67
	Oct. 1951	" " " "				179	17

Shipped from _____ to _____ Weight _____ Government B/L No. _____ Total 1576 84

(Payee must NOT use this space)

Differences See attached 150 00

Account verified; correct for 1426 84

(Signature or initials) _____

Contract No. I DMA F-26 Date June 27, 1951 No. _____ Date _____ Invoice Rec'd _____

Recommended for approval: _____

MEMORANDUM

Approved for payment by: W. H. K. [illegible]
~~J. H. East, Jr.~~

ACCOUNTING CLASSIFICATION (for completion by Administrative Office)

Appropriation, limitation, or project symbol	Appropriation title	Limit'n or Proj't Amount	Appropriation Amount
14X4401	Revolving Fund, Defense Production Act, Interior		$1,426.84

Allotment symbol	Amount	Obligations liquidated	COST ACCOUNT Symbol	COST ACCOUNT Amount	OBJECTIVE CLASSIFICATION Symbol	OBJECTIVE CLASSIFICATION Amount

Paid by { Check No. _____ dated _____, 19____, for $_____ } on Treasurer of the United States in favor of payee named above.
{ Cash, $_____, on _____, 19____, Payee _____ }
(Sign original only)

* 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.
† If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the blank space below "Approved for $_____", and over his official title.

Per _____
Title _____

U. S. GOVERNMENT PRINTING OFFICE 16—22900a-1

METHOD OF OR ABSENCE OF ADVERTISING

(Section 3709 of the Revised Statutes)

1. After advertising in newspapers.

2. (*a*) After advertising by circular letters sent to ..... dealers.

(*b*) And by notices posted in public places.

(If notices were not posted in addition to advertising by circular letters sent to dealers, explanation of such omission must be made. The notation on the certificate on the face of the voucher must be "2(*a*) (*b*)" or "2(*a*)", depending on whether or not notices were posted.)

3. Without advertising under an exigency of the service which existed prior to the order and would not admit of the delay incident to advertising.

4. Without advertising in accordance with .....

5. Without advertising, it being impracticable to secure competition because of .....

.....

.....

.....

.....

(Here state in detail the nature of the exigency or circumstances under which the securing of competition was impracticable under 3 and 4)

NOTE.—The above form "Method of or Absence of Advertising" is to be used when purchases are made or services secured under proper authority without written agreement in any form. In case of a written agreement (formal contract, proposal, and acceptance, or less formal agreement) Standard Form No. 1036—Revised should be used for abstracting the method of or absence of advertising and award of contract. (See General Regulations No. 51, Supplement No. 6, General Accounting Office, Aug. 20, 1930.)

16—22900-1

EXPLORATION UNIT COST AND PROGRESS REPORT FOR MONTH OF Ending October 27, 1951

Name of operator Silver Bay Mines, Inc. Silverton, Colorado.
Project No. DMA 487X - Contract I- DMA-E26
Total contract amount $21, 500.00
Government participation, percent 50

Item	Costs					Progress				
	Wages [1] and salaries	Equipment [2]	Supplies	Other [3]	Total	Unit	Units this month	Units previously reported	Units to date	Units authorized by contract
Drifting										
Crosscutting	0	0	358.35	0	358.35	foot	0	149	149	750
Raising										
Shafts										
Winzes										
Drill holes										
Overburden										
Rehabilitation and preparation										
Geology and geophysics										
Trenching										
Sampling and assaying										
Roads and trails										
Test pits										
Other (specify)										
Totals	0	0	358.35	0	358.35	foot	0	149	149	750.

[1] Prorate supervisory, engineering, and office salaries in proportion to man-shifts of direct labor.
[2] Prorate charges for equipment that is not exclusively for one type of job (such as compressors) against authorized units of work in each category.
[3] Where entries in the "Other" column (above) are more than 25 percent of the total expenditures, a breakdown of this item should be made.

16—64068-1 U. S. GOVERNMENT PRINTING OFFICE

FOR GOVERNMENT USE ONLY

Checked by
Entered by
Approved by Scott W. Hagen Jr
Remarks

DISTRIBUTION OF WAGES AND SALARIES FOR MONTH OF Ending October 27, 1951.

Name of operator Silver Bay Mines, Inc. Silverton, Colorado.
Project No. DMA 487 X - Contract I DMA E26
Total contract amount $21,500.00
Government participation percent 50

Type	Number	Man-Shifts	Rate	Total
Miners 0			$	$
Muckers 0				
Trammers 0				
Timbermen				
Pumpmen				
Hoistmen				
Surface				
Samplers				
Assayers				
Shift bosses 0				
Mechanics				
Electricians				
Blacksmiths				
Carpenters				
Drill runners				
Drill helpers				
Teamsters				
Manager				
Superintendent 0				
Engineers 0				
Geologists 0				
Bookkeeper				
Foreman				
Clerks				
Stenographers				
Other				
Total	0	0	0	0

Note.—Show only that portion of supervisory, office, and engineering salaries that is chargeable to this project.

FOR GOVERNMENT USE ONLY

Checked by
Entered by
Approved by Scott W. Hazen jr
Remarks

16—64068-1

MF-104
(April 1951)

Budget Bureau No. 42-R1036.
Approval expires 6-30-51.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

STRATEGIC AND CRITICAL MINERAL EXPLORATION PROGRAM
OPERATOR'S MONTHLY PROGRESS REPORT

Operators are to submit monthly reports to the designated field representative of the Defense Minerals Administration. Reports are to be submitted in quadruplicate prior to the 15th day of the month following the reporting period.

Narrative.—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered is to be furnished.

Maps.—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.

Cost Accounts.—All applicable parts of this form are to be filled in. This report will form the basis for payments of the Government's participating share of expenses. Audits of accounts will be made from time to time.

CERTIFICATION

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.

Silver Bay Mines, Inc.
(Name of Company)

By Ray Lilengquist
(Signature of Authorized Official)

November 21, 1951.
(Date)

President.
(Title)

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.

16—64068-1

MONTHLY SUMMARY COST STATEMENT

Name of operator Silver Bay Mines, Inc. Silverton, Colorado.
Project No. DMA 487 X Contract I- DMA E26
Total contract amount $21,500.00
Government participation percent 50

Distribution of Expenditures for Month of Ending October 27, 1951.

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals to Date
Wages and salaries	0	1,200.00	1,200.00	) 0	1,200.00	1,200.00
Equipment purchase [1]	0	804.00	804.00	0	804.00	804.00
Equipment rental [2]	0	1,800.00	1,800.00		1,800.00	1,800.00
Buildings	0	0		0	0	-
Explosives	7.75	972.44	979.19	7.75	972.44	979.19
Repair parts	0	0		0	0	0
Other supplies	209.42	1,534.32	1,743.74	209.42	1,534.32	1,743.74
Power Fuel	141.18	849.45	990.63	141.18	849.45	990.63
Transportation	0			0		
Withholding taxes	0			0		
Compensation insurance	0			0		
Other insurance	0			0		
Contract work	0	1,862.50	1,862.50	0	1,862.50	1,862.50
Other (specify)						
Total	358.35	9,022.71	9,381.06	358.35	9,022.71	9,381.06
Totals previously reported						
Totals to date						

FOR GOVERNMENT USE ONLY

Checked by
Entered by
Approved by Scotta W Hazen
Amount approved for payment
Remarks

[1] Enter total purchase price in month purchase is made.
[2] Payments for rental of equipment or prorated depreciation on equipment owned by contractor.

16—64068-1

MF-104
(April 1951)

Budget Bureau No. 42-R1036.
Approval expires 6-30-51.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

STRATEGIC AND CRITICAL MINERAL EXPLORATION PROGRAM
OPERATOR'S MONTHLY PROGRESS REPORT

Operators are to submit monthly reports to the designated field representative of the Defense Minerals Administration. Reports are to be submitted in quadruplicate prior to the 15th day of the month following the reporting period.

Narrative.—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered is to be furnished.

Maps.—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.

Cost Accounts.—All applicable parts of this form are to be filled in. This report will form the basis for payments of the Government's participating share of expenses. Audits of accounts will be made from time to time.

CERTIFICATION

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.

Silver Bay Mines, Inc.
(Name of Company)

By Ray Lilenquist
(Signature of Authorized Official)

November 19, 1951.
(Date)

Ray Lilenquist
President.
(Title)

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.

16—64068-1

MONTHLY SUMMARY COST STATEMENT

Name of operator: Silver Bay Mines, Inc. Silverton, Colorado.
Project No. DMA: 487 X Contract I-DMA-E26
Total contract amount: $21,500.00
Government participation percent: 50

Distribution of Expenditures for Month of Ending September 27, 1951.

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
				250.00	800.00	1050.00
				0	804.00	804.00
Wages and salaries	400.00	800.00	1,200.00	600.00	1200.00	1800.00
Equipment purchase [1]	0	804.00	804.00	0	0	0
Equipment rental [2]	600.00	1200.00	1,800.00	585.12	387.32	972.44
Buildings	0			0		
Explosives	585.12	387.32	972.44	508.39	1025.93	1532.32
Repair parts	0			201.83	647.62	849.45
Other supplies	508.39	1025.93	1,534.32			
Power Fuel	201.83	647.62	849.45			
Transportation		1212.50				
Withholding taxes				650.00	1212.50	1862.50
Compensation insurance						
Other insurance						
Contract work (52 ft. @ 12.50/ft)	650.00	1212.50	1,862.50			
Other (specify)					6077.32	
				2795.34	XXXXXX	8872.71
Total	2945.34	6077.37	9,022.71			
Totals previously reported						
Totals to date						

FOR GOVERNMENT USE ONLY

Checked by
Entered by
Approved by Scatter Hazen
Amount approved for payment
Remarks

RPG

[1] Enter total purchase price in month purchase is made.
[2] Payments for rental of equipment or prorated depreciation on equipment owned by contractor.

16—64068-1

DISTRIBUTION OF WAGES AND SALARIES FOR MONTH OF

Ending September 27, 1951

Name of operator Silver Bay Mines, Inc.
Project No. DMA 487 X Contract I- DMA-E26
Total contract amount $21,500.00
Government participation percent 50

Type	Number	Man-Shifts	Rate	Total
Miners 1	1	24	$contract	$
Muckers 1	1	24	"	650.00
Trammers				
Timbermen				
Pumpmen				
Hoistmen				
Surface				
Samplers				
Assayers				
Shift bosses	1	30	sal	250.00
Mechanics				
Electricians				
Blacksmiths				
Carpenters				
Drill runners				
Drill helpers				
Teamsters				
Manager				
Superintendent				
Engineers				
Geologists	1	5	sal	150.00
Bookkeeper				
Foreman				
Clerks				
Stenographers				
Other				
Total	4	83		1050.00

Note.—Show only that portion of supervisory, office, and engineering salaries that is chargeable to this project.

FOR GOVERNMENT USE ONLY

Checked by
Entered by
Approved by Scott W Hazen
Remarks

Exception is taken to charge for Engineering

16—64063-1

EXPLORATION UNIT COST AND PROGRESS REPORT FOR MONTH OF Ending September 27, 1951.

Name of operator Silver Bay Mines, Inc. Silverton, Colorado.
Project No. DMA 487 X Contract I-DMA-E26
Total contract amount $21,500.00
Government participation, percent 50

Item	Costs					Progress				
	Wages [1] and salaries	Equipment [2]	Supplies	Other [3]	Total	Unit	Units this month	Units previously reported	Units to date	Units authorized by contract
Drifting										
Crosscutting	1,050.0	0	1295.34	Rental 600.00	2845.34	foot	52	97	149	750
Raising										
Shafts										
Winzes										
Drill holes										
Overburden										
Rehabilitation and preparation										
Geology and geophysics										
Trenching										
Sampling and assaying										
Roads and trails										
Test pits										
Other (specify)										
Totals	1,050.0	0	1295.34	600.00	2845.34	foot	52	97	149	750.

[1] Prorate supervisory, engineering, and office salaries in proportion to man-shifts of direct labor.
[2] Prorate charges for equipment that is not exclusively for one type of job (such as compressors) against authorized units of work in each category.
[3] Where entries in the "Other" column (above) are more than 25 percent of the total expenditures, a breakdown of this item should be made.

16—64068-1 U. S. GOVERNMENT PRINTING OFFICE

FOR GOVERNMENT USE ONLY

Checked by
Entered by
Approved by Scott W. Hagenah
Remarks

Standard Form No. 1034a—Rev.
Form approved by
Comptroller General, U. S.
May 26, 1938
(Amended August 15, 1941)

PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL

D. O. Vou. No. _____
Bu. Vou. No. DMA-31

GENERAL ACCOUNTING OFFICE PREAUDIT
"Certified for payment in the sum of $_____
Comptroller General of the United States
By _____

U. S. Dept. of Interior, Defense Minerals Administration, Region IV
(Department, bureau, or establishment)

Voucher prepared at Denver, Colorado 9/26/51
(Give place and date)

THE UNITED STATES, Dr.,

To Silver Bay Mines, Inc.
1370 South 2nd West Street
Address Salt Lake City, Utah
Payee's Account No. I-DMA-E-26

PAID BY
(For use of Paying Office)

No. and Date of Order	Date of Delivery or Service	Articles or Services (Enter description, item number of contract or general supply schedule, and other information deemed necessary) Terms net % Discount Cash days	Quantity	UNIT PRICE Cost	UNIT PRICE Per	AMOUNT Dollars	AMOUNT Cts.
		Brought forward from continuation sheet(s)					
	ending 8/27/51	Certified "Operator's Monthly Progress Report" for the Mineral Exploration Program attached:				1,645.98	

Shipped from _____ to _____ Weight _____ Government B/L No. _____ Total 1,645.98

(Payee must NOT use this space)
Differences _____
Account verified; correct for 1645.98
(Signature or initials)

Contract No. I-DMA-E-26 Date 6/27/51 Req. No. _____ Date _____ Invoice Rec'd _____

MEMORANDUM

Approved for payment by: JHEast, Jr.
DATE: OCT 18 1951 ~~SEP 27 1951~~

Naomi E. Stokes
Authorized Certifying Officer

ACCOUNTING CLASSIFICATION (for completion by Administrative Office)

Appropriation, limitation, or project symbol	Appropriation title	Limit'n or Proj't Amount	Appropriation Amount
14X4401	Defense Minerals Administration		$1,645.98

Allotment symbol	Amount	Obligations liquidated	COST ACCOUNT Symbol	COST ACCOUNT Amount	OBJECTIVE CLASSIFICATION Symbol	OBJECTIVE CLASSIFICATION Amount

Paid by { Check No. _____ dated _____, 19____, for $_____ } on Treasurer of the United States in favor of payee named above.
{ Cash, $_____, on _____, 19____, Payee _____ }
(Sign original only)

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.
† If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the blank space below "Approved for $_____", and over his official title.

U. S. GOVERNMENT PRINTING OFFICE 16—22900a-1

METHOD OF OR ABSENCE OF ADVERTISING

(Section 3709 of the Revised Statutes)

1. After advertising in newspapers.

2. (*a*) After advertising by circular letters sent to ..... dealers.

   (*b*) And by notices posted in public places.

   (If notices were not posted in addition to advertising by circular letters sent to dealers, explanation of such omission must be made. The notation on the certificate on the face of the voucher must be "2(*a*) (*b*)" or "2(*a*)", depending on whether or not notices were posted.)

3. Without advertising under an exigency of the service which existed prior to the order and would not admit of the delay incident to advertising.

4. Without advertising in accordance with .....

5. Without advertising, it being impracticable to secure competition because of .....

.....

.....

.....

.....

(Here state in detail the nature of the exigency or circumstances under which the securing of competition was impracticable under 3 and 4)

NOTE.—The above form "Method of or Absence of Advertising" is to be used when purchases are made or services secured under proper authority without written agreement in any form. In case of a written agreement (formal contract, proposal, and acceptance, or less formal agreement) Standard Form No. 1036—Revised should be used for abstracting the method of or absence of advertising and award of contract. (See General Regulations No. 51, Supplement No. 6, General Accounting Office, Aug. 20, 1930.)

16—22900-1

MF-104
(April 1951)

Budget Bureau No. 42-R1036.
Approval expires 6-30-51.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

STRATEGIC AND CRITICAL MINERAL EXPLORATION PROGRAM
OPERATOR'S MONTHLY PROGRESS REPORT

Operators are to submit monthly reports to the designated field representative of the Defense Minerals Administration. Reports are to be submitted in quadruplicate prior to the 15th day of the month following the reporting period.

Narrative.—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered is to be furnished.

Maps.—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.

Cost Accounts.—All applicable parts of this form are to be filled in. This report will form the basis for payments of the Government's participating share of expenses. Audits of accounts will be made from time to time.

CERTIFICATION

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.

Silver Bay Mines, Inc.
(Name of Company)

By Ray Lilenquist
(Signature of Authorized Official)

September 5, 1951.
(Date)

President.
(Title)

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.

16—64068-1

MONTHLY SUMMARY COST STATEMENT

Name of operator: Silver Bay Mines, Inc. Silverton, Colorado.
Project No. DMA: 487 X Contract I-DMA-E26
Total contract amount: $21,50000
Government participation percent: 50

Distribution of Expenditures for Month of Ending August 27, 1951.

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals to Date
Wages and salaries	400.00	400.00	800.00	400.00	400.00	800.00
Equipment purchase [1]	204.00	600.00	804.00	524.00	200.00	724.00
Equipment rental [2]	600.00	600.00	1200.00	600.00	600.00	1200.00
Buildings	0					
Explosives	177.39	209.93	387.32	177.39	200.93	378.32
Repair parts						
Other supplies	770.45	255.48	1025.93	770.45	255.48	1025.93
Power — Fuel	477.62	170.00	647.62	307.62	170.00	477.62
Transportation						
Withholding taxes						
Compensation insurance						
Other insurance						
Contract work	512.50	700.00	1212.50	512.50	700.00	1212.50
Other (specify)						
Total	3141.96	2926.41	6068.37	3291.96	2526.41	5818.37
	-170					
Totals previously reported	2971.96					
Totals to date						

FOR GOVERNMENT USE ONLY

Checked by
Entered by
Approved by Scatter Hagen Jr
Amount approved for payment
Remarks

[1] Enter total purchase price in month purchase is made.
[2] Payments for rental of equipment or prorated depreciation on equipment owned by contractor.

16—64068-1

Ending August 27, 1951.

DISTRIBUTION OF WAGES AND SALARIES FOR MONTH OF

Name of operator Silver Bay Mines, Inc. Silverton, Colorado.
Project No. DMA 487-X I-DMA-E26
Total contract amount 21,500.00
Government participation percent 50

Type	Number	Man-Shifts	Rate	Total
Miners 1	1	13	contract	$ 512.50
Muckers	1	13	$1/250 ft	
Trammers				
Timbermen				
Pumpmen				
Hoistmen				
Surface				
Samplers				
Assayers				
Shift bosses	1	30	sal.	250.00
Mechanics				
Electricians				
Blacksmiths				
Carpenters				
Drill runners				
Drill helpers				
Teamsters				
Manager				
Superintendent				
Engineers	1	10	sal.	150.00
Geologists				
Bookkeeper				
Foreman				
Clerks				
Stenographers				
Other				
Total	4	66		912.50

Note.—Show only that portion of supervisory, office, and engineering salaries that is chargeable to this project.

FOR GOVERNMENT USE ONLY

Checked by
Entered by
Approved by Scott W. Hazen Jr
Remarks

16—64068-1

EXPLORATION UNIT COST AND PROGRESS REPORT FOR MONTH OF Ending August 27, 1951

Name of operator Silver Bay Mines Inc., Silverton, Colorado.
Project No. DMA 487-X Contract I-DMA-E26
Total contract amount 21,500.00
Government participation, percent 50

Item	Costs					Progress				
	Wages [1] and salaries	Equipment [2]	Supplies	Other [3] Rental	Total	Unit	Units this month	Units previously reported	Units to date	Units authorized by contract
Drifting										
Crosscutting	912.50	204.00	1425.46	600.00	3141.96	~~ft~~ foot	41	56	97	750
Raising										
Shafts										
Winzes										
Drill holes										
Overburden										
Rehabilitation and preparation										
Geology and geophysics										
Trenching										
Sampling and assaying										
Roads and trails										
Test pits										
Other (specify)										
Totals	912.50	204.00	1425.46	600.00	3141.96	foot	41	56	97	750

[1] Prorate supervisory, engineering, and office salaries in proportion to man-shifts of direct labor.
[2] Prorate charges for equipment that is not exclusively for one type of job (such as compressors) against authorized units of work in each category.
[3] Where entries in the "Other" column (above) are more than 25 percent of the total expenditures, a breakdown of this item should be made.

16—64068-1 U. S. GOVERNMENT PRINTING OFFICE

FOR GOVERNMENT USE ONLY

Checked by
Entered by
Approved by Scatter Hagin
Remarks

Standard Form No. 1034a—Rev.
Form approved by
Comptroller General, U. S.
May 26, 1938
(Amended August 15, 1941)

PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL

D. O. Vou. No. _____

Bu. Vou. No. DMA-16

GENERAL ACCOUNTING OFFICE PREAUDIT
Certified for payment in the sum of $_____
Comptroller General of the United States
By _____

U. S. Defense Minerals Administration
Dept. of Interior, 224 New Customhouse
(Department, bureau, or establishment)

Voucher prepared at Denver, Colorado (Give place and date) 8/27/51

THE UNITED STATES, Dr.,

To Silver Bay Mines (Payee)

Address 1370 South 2nd West Street
Salt Lake City, Utah

Payee's Account No. DMA 187X

PAID BY
(For use of Paying Office)

No. and Date of Order	Date of Delivery or Service	Articles or Services (Enter description, item number of contract or general supply schedule, and other information deemed necessary) Terms net % Discount Cash days	Quantity	UNIT PRICE Cost	UNIT PRICE Per	AMOUNT Dollars	AMOUNT Cts.
		Brought forward from continuation sheet(s)					
	July, 1951	Certified "Operator's Monthly Progress Report" for the Mineral Exploration program attached:				1,263	21

Shipped from _____ to _____ Weight _____ Government B/L No. _____ Total 1,263 21

(Payee must NOT use this space)

Differences _____

Account verified; correct for 1263 21

(Signature or initials) _____

Contract No. T-DMA-E-26 Date _____ Req. No. _____ Date _____ Invoice Rec'd 8/24/51

MEMORANDUM

AUG 27 1951

Naomi E. Stokes
Authorized Certifying Officer

ACCOUNTING CLASSIFICATION (for completion by Administrative Office)

Appropriation, limitation, or project symbol	Appropriation title	Limit'n or Proj't Amount	Appropriation Amount
14X4401	Defense Minerals Administration		1,263.21

Allotment symbol	Amount	Obligations liquidated	COST ACCOUNT Symbol	COST ACCOUNT Amount	OBJECTIVE CLASSIFICATION Symbol	OBJECTIVE CLASSIFICATION Amount

Paid by { Check No. _____ dated _____, 19____, for $_____ } on Treasurer of the United States in favor of payee named above.
{ Cash, $_____, on _____, 19____, Payee _____ (Sign original only)

* 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.
† If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the blank space below "Approved for $_____", and over his official title.

Per _____

Title _____

16—22900a-1

METHOD OF OR ABSENCE OF ADVERTISING

(Section 3709 of the Revised Statutes)

1. After advertising in newspapers.

2. (*a*) After advertising by circular letters sent to _____ dealers.

   (*b*) And by notices posted in public places.

   (If notices were not posted in addition to advertising by circular letters sent to dealers, explanation of such omission must be made. The notation on the certificate on the face of the voucher must be "2(*a*)(*b*)" or "2(*a*)", depending on whether or not notices were posted.)

3. Without advertising, under an exigency of the service which existed prior to the order and would not admit of the delay incident to advertising.

4. Without advertising in accordance with _____

5. Without advertising, it being impracticable to secure competition because of _____

_____

_____

_____

_____

(Here state in detail the nature of the exigency or circumstances under which the securing of competition was impracticable under 3 and 4)

NOTE.—The above form "Method of or Absence of Advertising" is to be used when purchases are made or services secured under proper authority without written agreement in any form. In case of a written agreement (formal contract, proposal, and acceptance, or less formal agreement) Standard Form No. 1036—Revised should be used for abstracting the method of or absence of advertising and award of contract. (See General Regulations No. 51, Supplement No. 6, General Accounting Office, Aug. 20, 1930.)

U. S. GOVERNMENT PRINTING OFFICE: 1946 O-88934

16—22900-1

MF-104
(April 1951)

Budget Bureau No. 42-R1036.
Approval expires 6-30-51.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

STRATEGIC AND CRITICAL MINERAL EXPLORATION PROGRAM
OPERATOR'S MONTHLY PROGRESS REPORT

Operators are to submit monthly reports to the designated field representative of the Defense Minerals Administration. Reports are to be submitted in quadruplicate prior to the 15th day of the month following the reporting period.

Narrative.—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered is to be furnished.

Maps.—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.

Cost Accounts.—All applicable parts of this form are to be filled in. This report will form the basis for payments of the Government's participating share of expenses. Audits of accounts will be made from time to time.

CERTIFICATION

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.

Silver Bay Mines (Name of Company) By Ray Lehmquist (Signature of Authorized Official)

July 30-51 (Date) Pres. (Title)

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.

16—64068-1

MONTHLY SUMMARY COST STATEMENT

Name of operator Silver Bay Mines Incorporated Silverton, Colorado.
Project No. DMA 487 X, Contract I-DMA-E26
Total contract amount $ 21,500.00
Government participation percent 50

Distribution of Expenditures for Month of Ending July 27, 1951.

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals to Date
Wages and salaries	400.00	0	400.00	400.00	-	400.00
Equipment purchase [1]	600.00	0	600.00	200.00	-	200.00
Equipment rental [2]	600.00	0	600.00	600.00		600.00
Buildings	0					
Explosives	200.93	0	200.93	200.93		200.93
Repair parts						
Other supplies	255.48	0	255.48	255.48		255.48
Power Fuel	170.00	0	170.00	170.00		170.00
Transportation						
Withholding taxes						
Compensation insurance						
Other insurance						
Contract work	700.00	0	700.00	700.00		700.00
Other (specify)						
Total	2926.41	0	2926.41	2526.41		2526.41
Totals previously reported	0					
Totals to date						

FOR GOVERNMENT USE ONLY

Checked by Scott W Hazen Jr
Entered by
Approved by Scott W Hazen Jr
Amount approved for payment 2926.41 less 400.00
Remarks equal 2526.41/2 = 1263.21
400.00 deducted for 2 mine cars not delivered 7/27/51

[1] Enter total purchase price in month purchase is made.
[2] Payments for rental of equipment or prorated depreciation on equipment owned by contractor.

16—64068-1

DISTRIBUTION OF WAGES AND SALARIES FOR MONTH OF Ending July 27, 1951.

Name of operator Silver Bay Mines, Incorporated. Silverton, Colorado.
Project No. DMA 487 X -I- DMA- E26
Total contract amount $21,500.00
Government participation percent 50

Type	Number	Man-Shifts	Rate	Total
Miners	1	14	$ contract	$
Muckers	1	14	"	700.00
Trammers				
Timbermen				
Pumpmen				
Hoistmen				
Surface				
Samplers				
Assayers				
Shift bosses	1	30	sal.	250.00
Mechanics				
Electricians				
Blacksmiths				
Carpenters				
Drill runners				
Drill helpers				
Teamsters				
Manager				
Superintendent				
Engineers	1	10	sal	150.00
Geologists				
Bookkeeper				
Foreman				
Clerks				
Stenographers				
Other				
Total	4	68		1100.00

Note.—Show only that portion of supervisory, office, and engineering salaries that is chargeable to this project.

FOR GOVERNMENT USE ONLY

Checked by Scott W Hagerty
Entered by
Approved by Scott W Hagerty
Remarks

16—64068-1

EXPLORATION UNIT COST AND PROGRESS REPORT FOR MONTH OF Ending July 27, 1951.

Name of operator Silver Bay Mines, Incorp Silverton, Colorado.
Project No. DMA 487 X, Contract I-DMA-E26
Total contract amount $21,500.00
Government participation, percent 50

Item	Costs					Progress				
	Wages [1] and salaries	Equipment [2]	Supplies	Other [3] Rental	Total	Unit	Units this month	Units previously reported	Units to date	Units authorized by contract
Drifting										
Crosscutting	1100.	600.00	626.41	600.00	2926.41	foot	56	0	56	750
Raising										
Shafts										
Winzes										
Drill holes										
Overburden										
Rehabilitation and preparation										
Geology and geophysics										
Trenching										
Sampling and assaying										
Roads and trails										
Test pits										
Other (specify)										
Totals	1100.00	600.00	626.41	600.00	2926.41	foot	56	0	56	750

[1] Prorate supervisory, engineering, and office salaries in proportion to man-shifts of direct labor.
[2] Prorate charges for equipment that is not exclusively for one type of job (such as compressors) against authorized units of work in each category.
[3] Where entries in the "Other" column (above) are more than 25 percent of the total expenditures, a breakdown of this item should be made.

16—64068-1 U. S. GOVERNMENT PRINTING OFFICE

FOR GOVERNMENT USE ONLY

Checked by Leatha Hagerman
Entered by
Approved by Leatha Hagerman
Remarks $400.00 deducted from payment for 2 mine cars not delivered 7/27/51

FEB 15 1966

Mr. C. V. Liljequist
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 Ida-126

Dear Mr. Liljequist:

By the terms of Amendments 4 and 6 and Annex IV of the subject Domestic 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 H. JOHNSON

Frank H. 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
ONE Reading File
Branch of Budget & Finance, 5408
120M

CCSelfridge/mm (2/15/66)

Contract No. Idm-E26

Docket No. 487

DEPARTMENT OF THE INTERIOR

Terminated contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

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

Date of Contract	Region	State	Commodity
June 27, 1951	III	Colorado	Lead-Zinc

Name and Address of Operator: Silver Bay Mines, Inc.
1370 South 2nd West Street
Salt Lake City, Utah

	Reserve	Obligation
Prior Amount	0	$15,300.00
Increase	0	0
Decrease	0	$ 2,769.00
Revised Amount	0	$12,531.00

Remarks:

(Name)
Robert E. Adams, Chief
Operations Control and
Statistics Division
(Title)

Date Delivered to Bureau of Mines, Washington 6/21/56

98963

No. 6

AMENDMENT TO CONTRACT: No. IDM-E 26 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 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 maximum."

Dated September 16, 1955

UNITED STATES OF AMERICA

SILVER BAY MINES, INC.

By Ray Lilenquist
Ray Lilenquist, President

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

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

Government's copy

Department of the Interior
Defense Minerals Administration
RECEIVED
NOV 12 1954

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. Mitchell Woodard
Administrator, Defense Minerals
Exploration Administration

SILVER BAY MINES, INC.

By Ray Lilienquist
President

Government 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 O. Mitterdorf
Administrator, Defense
Minerals Exploration
Administration

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)§ 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

---

* The "land" referred to is the land described in Article 2 of the Amended Contract.

§ 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

Mining Division
Date Rec'd.

AUG 30 1954

BUREAU OF MINES
Denver, Colorado

670 Pearl Street, Apt. 27
Denver, Colorado
July 9, 1954

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

RE: Docket SMSA 487
(Lead & Zinc)
Contract IDM 326

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

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

No. 3

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 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 Lillenquist
Ray Lillenquist, President

UNITED STATES OF AMERICA

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

Seal

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

Government's Copy

FEB 19 1954

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 O O Mittendorf
Administrator, Defense
Minerals Exploration
Administration

SILVER BAY MINES, INC.

By Ray Lilenquist
Pres.

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 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 [illegible]

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-126

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, 1951 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

GOVERNMENT COPY

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 22 1954

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 Lilenquist
Pres.

UNITED STATES OF AMERICA

By C. Mittendorf
Administrator, Defense
Minerals Exploration
Administration

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

Docket No. DMA 187

Commodity Lead-Zinc

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

REVISED CONTRACT

Contract No. Idm-E 26

Date of ~~Contract or~~ Amendment: April 13, 1953

Name and Address of Operator:

Silver Bay Mines, Inc.
1370 South 2nd West Street,
Salt Lake City, Utah

Amount of Government participation $15,300.00

Percent of Government participation 50 %

Region: IV State: Colorado

NOTE: This document cancels the previous obligation of $10,750. and establishes the amount shown above

(Name)

J. L. Chambers,
Chief, Contract Administration and Audit Division

(Title)

Date Delivered to Bureau of Mines, Washington. April 14, 1953 13908

DEPARTMENT OF THE INTERIOR
MF-200
(June 1951)
(Revised Feb. 1952)

MAY 12 1953

DOCKET NO. DMEA 487

COMMODITY Zinc-Lead

Government's 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

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)--$6,595.88

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 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.

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 payment 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. D. Mitendorf
Administrator, Defense Minerals Exploration Administration

SILVER BAY 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]

U. S. GOVERNMENT PRINTING OFFICE 16—66328-1

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 northeasterly 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

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

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~~

Contract I-DMA-E26
Docket DMA 487X

APPROVAL OF SUBCONTRACT GOVERNMENT'S 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. K. Kerr
Executive Officer
Field Team, DMEA, Region IV

June 9, 1952

Mr. J. H. East, Jr. Executive Officer
Field Team, Region IV
224 New 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 DMA-487X, contract number I-DMA-E-26.

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 DMA 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 where a contact 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. OIL & DEVELOPMENT CORPORATION

By Carl H. Peterson
Carl H. Peterson, Secretary

CHP:w

Approved:

SILVER BAY MINES INC.,

By Ray Lilenquist
Ray Lilenquist

June 9, 1953

[illegible] Executive Director
[illegible]
[illegible]
Denver, Colorado

Dear Mr. [illegible]

We are in receipt [illegible] to [illegible] with the Silver Ray Plaza Inc., a [illegible] corporation with offices in Salt Lake City, Utah, to sell [illegible] of the Chief in the Blackhawk mine to contact the [illegible] with as provided in their contract [illegible], contract number [illegible].

We are in receipt [illegible] a check for [illegible] the [illegible] amount [illegible] necessary [illegible] to be to receive [illegible] and to furnish the [illegible] and data [illegible].

The Silver Ray Plaza Inc., [illegible] in the area [illegible] necessary [illegible] price.

Further, [illegible] contacted [illegible] contractor to advise us that they will be [illegible] Superior [illegible] the Chief [illegible] a [illegible] the [illegible] and [illegible] a contract [illegible] with [illegible] the property [illegible].

[illegible] Silver Ray Plaza Inc., [illegible] be [illegible] by the Silver Ray Plaza Inc., [illegible] [illegible] on the [illegible] the [illegible].

Very truly yours,

[illegible]

By Earl H. Peterson
Chief J. Mineralogist, Photography

EHP:kw

Approved:

[illegible]

By Ray Lilenquist
Ray [illegible]

Government Copy
Lead, S.D.

No. 2

AMENDMENT OF CONTRACT: No. I-DMA-E26

Contract Docket No. DMA 487X, dated June 27, 1951, between the 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 MF-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 JWP

By W. H. King
Executive Officer, DMEA

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 Mitchell
Director, Production Expansion Division
Defense Minerals Administration

Cont. Serv. Sec.
Change Order
Noted S.M.L.
Reviewed TMHE

OCT 1 1951
EXECUTIVE
CONTRACT SECT. E.D.G.

MF-200
(April 1951)

Docket No. DMA 487 X
Commodity Zinc-Lead

I-DMA-E26

Index
No. Card
Card
Reviewed 8/8/51

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

EXPLORATION PROJECT CONTRACT [1]

RECEIVED
JUL 2 1951
G.A.O.

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 in the 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.

RECEIVED
CONTRACT SECTION
G.A.O.

[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.

Supplement No. Amendment dated 8-24-51 Attached 10-175 DML

16—64066-1

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.

THE UNITED STATES OF AMERICA

By _____
Administrator
Defense Minerals Administration

Silver Bay Mines, Incorporated
(Operator)

By Ray Lilenquist
Pres.

U. S. GOVERNMENT PRINTING OFFICE : 16—64066-1

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

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.

June 25, 1951

FILE #DMA-487

Defense Minerals Administration
Washington, D. C.

Gentlemen:

In connection with application for Development Loan with Defense Minerals Administration from Silver Bay Mines Incorporated, this is to certify that all claims and liens for labor or otherwise have been paid in full as of this date.

Our application for above loan is now in your office under Mr. Otto Herres's supervision.

Yours very truly,

SILVER BAY MINES INCORPORATED

BY

C. V. Lilenquist
Manager

CVL:hp

Subscribed and sworn to before me this 25th day of June 1951.

Mary Martha Banik
Notary Public
City and County of Denver, Colorado

My commission expires My Commission expires August 30, 1954

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.

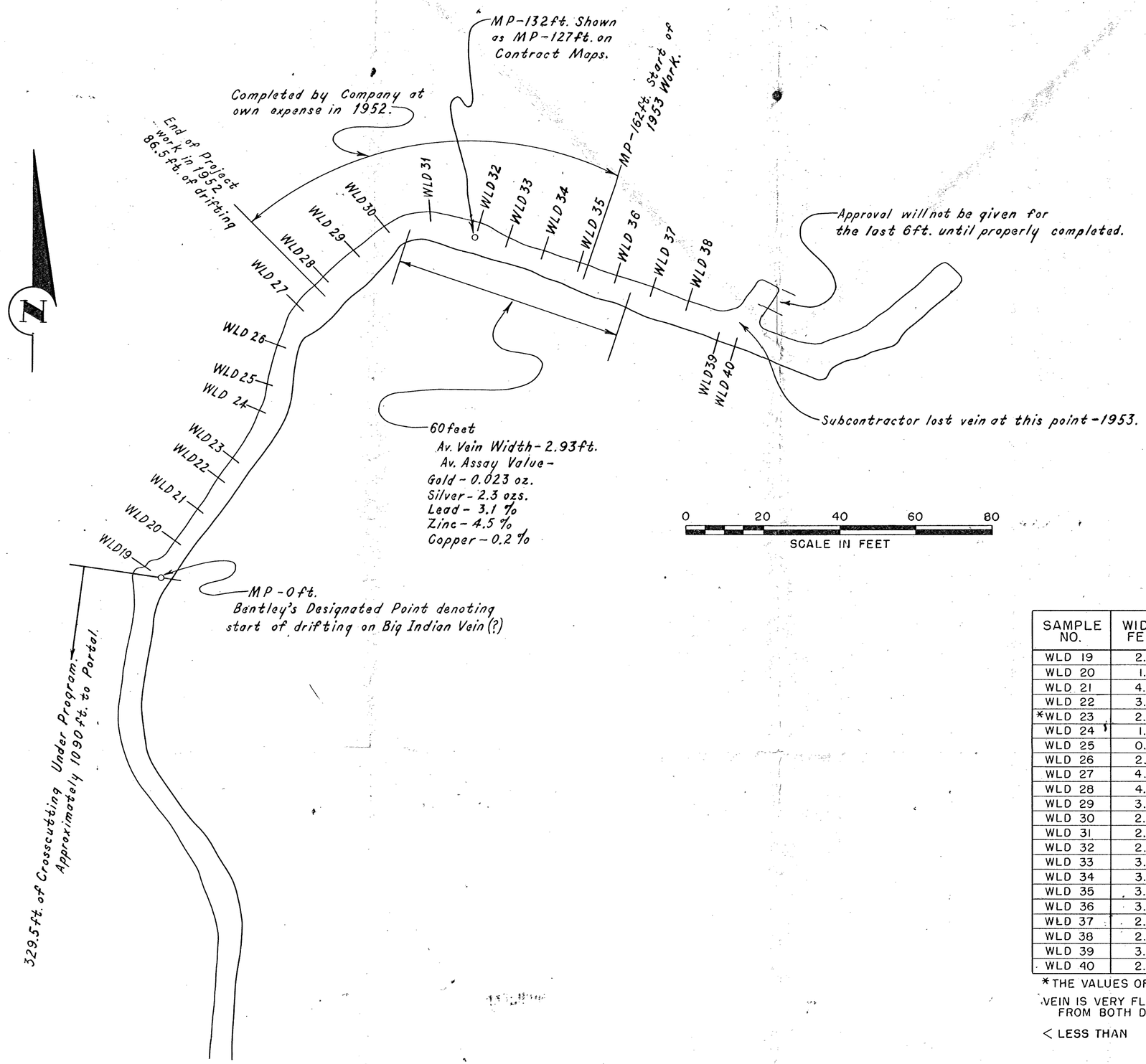
Margaret N. Engle

Notary Public

My commission expires July 19, 1953

MARGARET N. ENGLE NOTARY PUBLIC

LARGE FORMAT DOCUMENTS AT END OF FILE



SAMPLE DATA

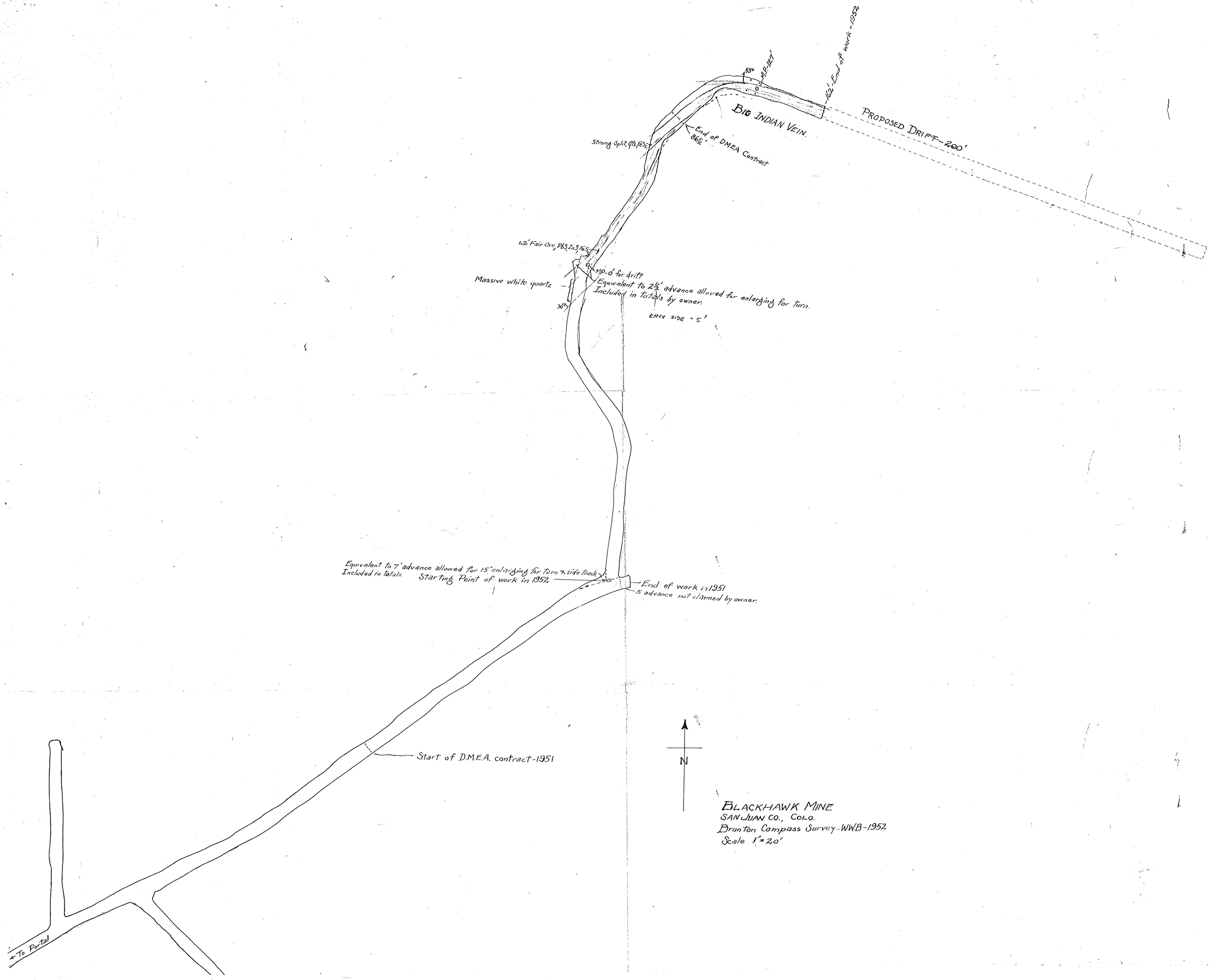
SAMPLE NO.	WIDTH FEET	OUNCES		PERCENT		
		GOLD	SILVER	LEAD	ZINC	COPPER
WLD 19	2.0	0.005	1.0	1.0	1.55	0.20
WLD 20	1.9	0.01	0.7	0.6	1.4	0.15
WLD 21	4.0	0.005	0.7	0.25	0.3	< 0.05
WLD 22	3.8	0.005	1.6	2.2	6.0	0.47
*WLD 23	2.4	0.05	5.8	4.85	4.5	0.29
WLD 24	1.1	0.005	0.4	<0.1	0.1	< 0.05
WLD 25	0.8	0.02	0.5	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

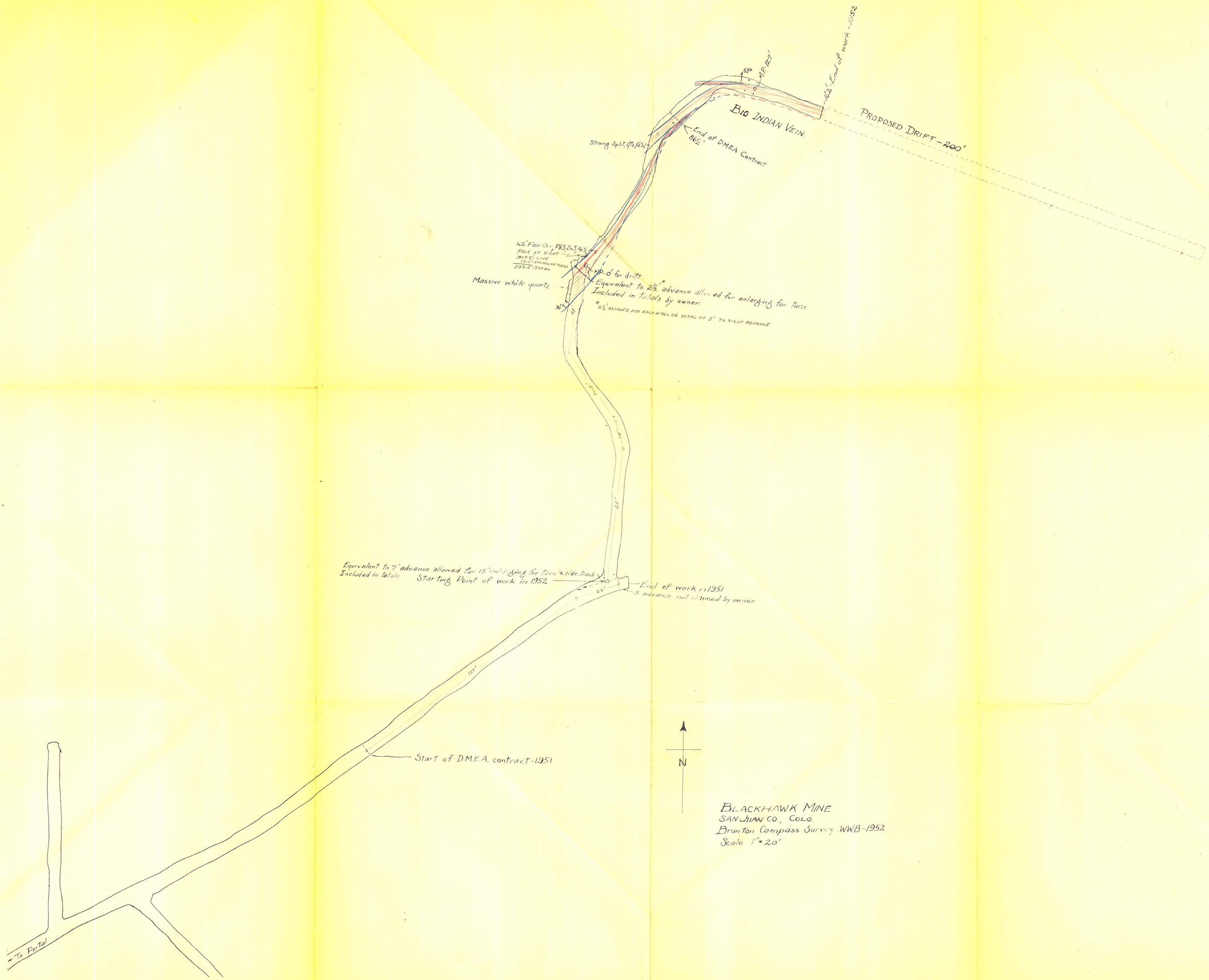
VEIN IS VERY FLAT AND WHERE POSSIBLE, SAMPLES ARE COMPOSITES FROM BOTH DRIFT WALLS.

< LESS THAN

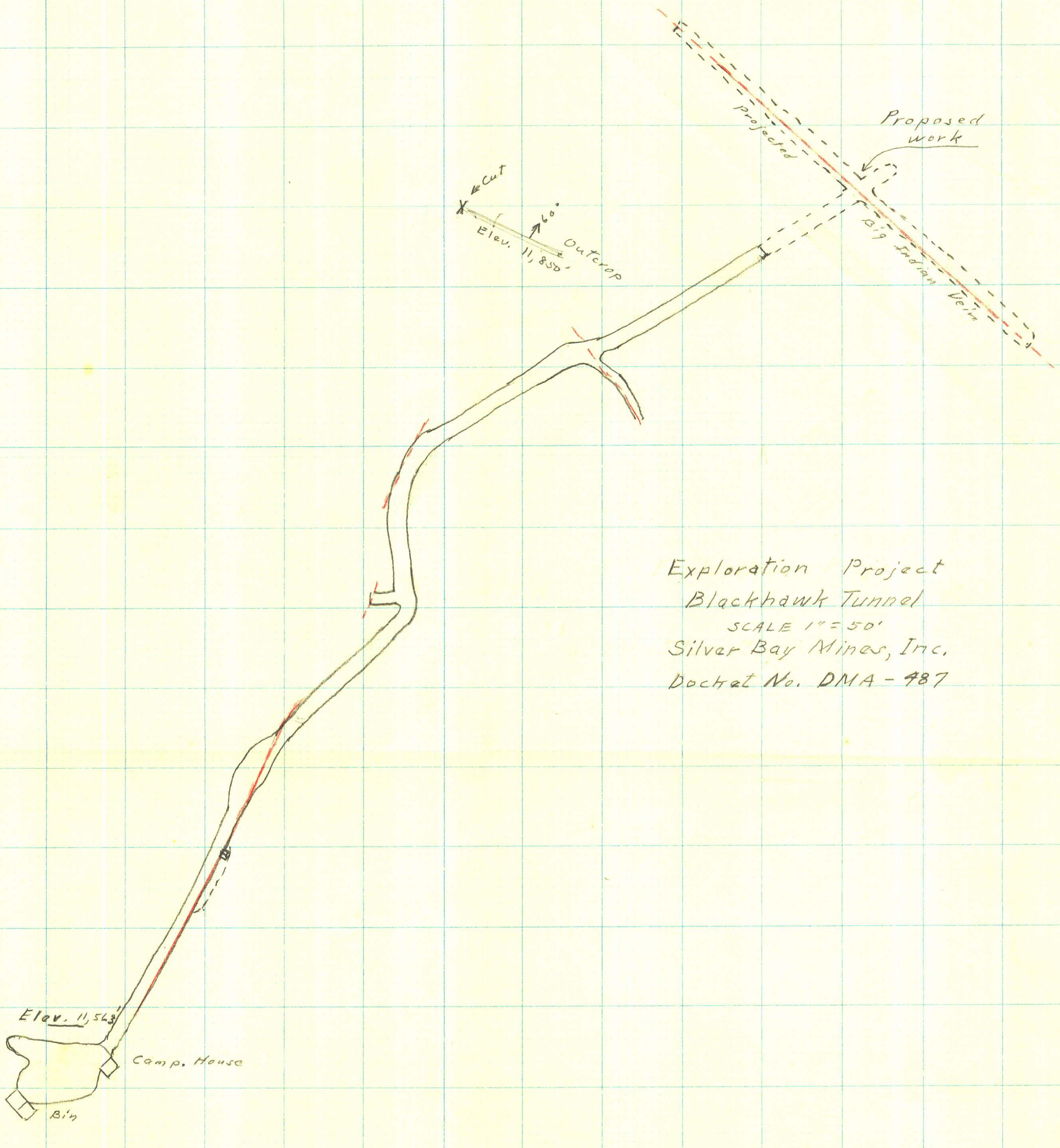
FIGURE 1 - SAMPLE LOCATIONS ON BIG INDIAN VEIN, BLACKHAWK MINE, SILVER BAY MINES, INC., SAN JUAN COUNTY, COLO. (DMEA 487X, CONTR. Idm E26)



BLACKHAWK MINE
SAN JUAN CO., COLO.
Brunton Compass Survey - W.W.B - 1952
Scale 1" = 20'



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