DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

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DMEA
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REPORT OF REVIEW

I have reviewed the Monthly Reports of:

Marble Canyon Uranium, Inc.
800 Newhouse Building
Salt Lake City, Utah.

pertaining to Exploration Project Contract No. Ida-1316, Docket No. DMEA-3612, including Amendment No. 1, for the months of September, 1955 to February, 1956, inclusive, covering a project for the exploration of uranium on property known as Red Wing Claims, et al. located in Coconino County, Arizona.

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

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

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

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

(c) a major portion ($5,122.00) of the costs incurred covered work performed at unit rates under independent contract; and

(d) of the balance, $2,205.00 of the costs incurred were under a contract provision for payment by the Government on the basis of fixed unit costs for work actually performed, and the remainder ($1,514.00) was for personal services and supervision.

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

Total cost as billed by Contractor		$9,424.50
Exceptions: (Schedule attached)		
By DMEA Finance Officer	$583.50	
Herewith	0.00	583.50
Total Accepted Cost		$8,841.00

The contract calls for a 75 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Six thousand, six hundred thirty and 75/100ths Dollars

** $6,630.75 **

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.

June 20, 1957

T. H. Bradley, Auditor

SCHEDULE OF EXCEPTIONS
MARBLE CANYON URANIUM, INC.

Contract No. Idm-3816 | Docket No. IMMA-3612

PERIOD SEPTEMBER - OCTOBER, 1955

Core Drilling		
Claimed by Operator 20 feet @ $3.00/ft.	$60.00	
Maximum allowable 20 feet @ $2.50/ft.	50.00	
Amount Disallowed		$ 10.00

PERIOD NOVEMBER - DECEMBER, 1955

Core Drilling		
Claimed by Operator 339 feet @ $3.00/ft.	$1,017.00	
Maximum Allowable 339 feet @ $2.50/ft.	847.50	
Amount Disallowed		169.50
Non-Core Drilling		
Claimed by Operator 1,316 feet	$2,079.50	
Maximum allowable 1,316 feet @ $1.50/ft.	1,974.00	
Amount Disallowed		105.50

PERIOD JANUARY - FEBRUARY, 1956

Core Drilling		
Claimed by Operator 80 feet @ $3.00/ft.	$240.00	
Maximum allowable 80 feet @ $2.50/ft.	200.00	
Amount Disallowed		40.00
Non-Core Drilling		
Claimed by Operator 1,226 feet	$1,956.50	
Maximum Allowable 1,226 feet @ $1.50/ft.	1,839.00	
Amount Disallowed		117.50
Field Assistant		
Net claimed by Operator	$855.00	
Amount allowed based on proration	729.00	
Amount Disallowed		126.00
Supervising Consultant		
Net claimed by Operator	$800.00	
Amount allowed based on proration	785.00	
Amount Disallowed		15.00

Costs of Field Assistant and Supervising Consultant were prorated based on the total amount of work performed to total amount of work authorized in the contract. This proration was developed by the Field Team in line with teletype from Chairman, Operating Committee, dated April 6, 1956.

SUMMARY DISALLOWANCES

September - October, 1955	$ 10.00
November - December, 1955	275.00
January - February, 1956	298.50
Total Amount Disallowed	$583.50

Disallowances made by Finance Officer; approved by Auditor.

JUL 2 1957

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

Re: Reports of Review
Antelope Mines
IAm-8[illegible]11, DMEA-4184

Marble Canyon Uranium, Inc.
IAm-2614, DMEA-3612

Dear Mr. Bruding:

The recently submitted copies of your Reports of Review covering the above-cited projects are acceptable and normal distribution is authorized.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

EDTalbert/vb
July 2, 1957

Copy to: Docket (2)
Admr. Reading File
Mr. Chambers

JUN 25 1957

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

Re: Report of Review
Marble Canyon Uranium, Inc.
Docket No. DMEA-3612
Contract Ida-8516

Dear Mr. Breding:

The recently submitted copies of your Report of Review, in lieu of a final audit of the referenced project, are returned herewith for further review and revision as may be necessary.

Reason (a) for the review in lieu of an audit indicates that $6,636.00 of the costs were for work under independent contract. However, the copies of the paid forms MF-104 on file in this Division indicate that only $5,122.00 of the costs were for independent contract work, the difference of $1,514.00 being costs of a supervising consultant and a field assistant under Category (2) Personal Services.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

Enclosure

EDTalbert/wb
June 25, 1957

Copy to: Docket
Admr. Reading File
Mr. Chambers

C
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P
Y

224 New Customhouse
Denver 2, Colorado

March 5, 1957

Mr. Adriel F. Stewart, President
Marble Canyon Uranium, Inc.
200 Newhouse Building
Salt Lake City 11, Utah

Re: Docket No. DMEA-3612 (Uranium)
Contract Idm-E816
Marble Canyon Uranium, Inc.
(Red Wing claims, et al)
Coconino County, Arizona

Dear Mr. Stewart:

We have not received the documentation of project costs and explanatory statements which we requested from you by letter of December 18, 1956. It appears to us that we have allowed sufficient time for you to assemble the data and forward it to this office; therefore, if the data is not received by March 19, 1957, the account will be reviewed or audited by the Contract Administration and Audit Division, and disallowances will be made where necessary, for costs which are not properly documented or explained.

Yours very truly,

/s/ E. N. Harshman

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

JDC;hh
cc: Chmn. Op. Comm. (2)
Harshman (2)
Wilson
Townsend
Corres. File E816
Chron.
Brading

224 Sey Courthouse
Denver 2, Colorado

March 5, 1957

Mr. Gerald E. Stewart, President
Marble Canyon Uranium, Inc.
200 Courthouse Building
Salt Lake City 11, Utah

Re: Docket No. RMMA-2002 (Uranium)
Contract Tag-2016
Marble Canyon Uranium, Inc.
(Red Wing claims, et al)
Coconino County, Arizona

Dear Mr. Stewart:

We have not received the documentation of project costs and explanatory statements which we requested from you by letter of December 14, 1956. It appears to us that we have allowed sufficient time for you to assemble the data and forward it to this office; therefore, if the data is not received by March 15, 1957, the account will be reviewed or audited by the Contract Administration and Audit Division, and disallowances will be made where necessary, for costs which are not properly documented or explained.

Yours very truly,

/s/ E. H. Herzman

E. H. Herzman
Acting Executive Officer, RMMA
Field Team, Region III

Distr:
cc: Chron. Op. Comm. (2)
Herzman (2)
Wilson
Torquemada
Correa, File RMMA
Chron.
Bradley

224 New Customhouse
Denver 2, Colorado

July 8, 1957

OFFICIAL FILE COPY
DMEA
RECEIVED JUL 26 1957

DATE	INITIALS	CODE

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: DMEA Doubek-3612 (Uranium) Contract Idm-3816
Marble Canyon Uranium, Inc. (Red Wing et al claims)
Coconino County, Arizona - FINAL PAYMENT

Reference is made to our memorandum of July 11, 1956, whereby we transmitted the final Form MF-164, Operator's Final Report and Voucher, for January, February 1956, and requested that you withhold the amount of $500.00 pending possible resumption of work under the contract.

Work was not resumed and the contract was terminated effective April 1, 1956. The Operator's final report was received, therefore we recommend that final payment to the Operator be made on the following basis, which is in conformance with the Report of Review of reported project expenditures by the Contract Administration and Audit Division, dated June 20, 1957. Final payment has been deferred pending receipt of an acceptable final report from the operator.

Basis for Final Payment

Total accepted cost	$8,841.00
Government participation at 75%	6,630.75
Total prior payments	6,130.75
Balance due the Operator	$ 500.00

$500.00

Original signed by
W. H. KING
W. H. King

JEC:bmh
cc: Chron. Op. Comm. (2)
Hardman
DMEA, SLC
Townsend
MF-164 file, Reg. III
Corres. file, Reg. III
Chron.

DMA 58-4
7/10/57

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
224 New Customhouse
Denver 2, Colorado

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RECEIVED JUL 15 1957

DATE	INITIALS	CODE
7/15	C	220
15	Conc	100
		800

July 11, 1957

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-3612 (Uranium) Contract Idm-E816, Marble Canyon Uranium, Inc. (Red Wing et al claims) Coconino County, Arizona - FINAL PAYMENT

Enclosed are two copies of a memorandum to T. A. Christensen, dated July 8, 1957, relative to final payment under the terms of the subject contract.

W H King
W. H. King

Enclosures

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

Budget Bureau No. 42-R1036.5

RECEIVED
JUL 23 1956

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of Jan.- Feb., 1956 Docket No. DMEA 3612 Contract No. IDM-E816
Operator's Name Marble Canyon Uranium, Incorporated Minerals Uranium
Address 200 Newhouse Building S.L.C., Utah
Contract Amount, $ 32,440.00 Government Participation: 75% Amount, $ 24,330.00

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	219650	3368.00	5564.50			
Bulldozing	-	2075.00	2075.00			
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision	180.00	675.00	855.00			
Technical Services	25.00	775.00	800.00			
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
Radiometric Probing & Standby Time	130.00	-	130.00			
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	2531.50	6893.00	9424.50	2233.00	6,893.00	9,126.00
				285.00		285.00
					8,808.00	8841.00

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

Date 6-14-56 *Payee Marble Canyon Uranium Inc.

Per J.D. Herman Title Gen. Manager

*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

$ 1174.75

Signature
(Authorized Certifying Officer)

Date 7/13/56 Vou. No. DMA 57-7

(See other side)

1 Previous Disallowance Withheld 585.00

(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-E816 in accordance with the terms of the contract.

Signature M. H. Howes Jr. Title Mining Engineer Date July 3, 1956

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature W. M. Shoemaker Title Executive Officer Date JUN 12 1956

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-1044
(April 1952)

Budget Bureau No. 42-R1151.2

RECEIVED U.S. Bureau of Mines JUN 23 1956

RECEIVED JUN 14 1956 Salt Lake City, Utah

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Jan. - Feb. 1956 Docket No. DMEA 3612 Contract No. IDM-E816

Operator's Name Marble Canyon Uranium Incorporated Minerals Uranium

Address 200 Newhouse Building S.L.C., 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								
~~Core~~ Radiometric ~~Rotary~~ Probing & Standby Time	Hole	130.00	13	130.00	13	10.00	126	10.00
Winzes								
Drilling: Core	Ft.	240.00	80	1317.00	439	3.00	2520	2.50
~~Chnnx~~ Non Core	Ft.	1956.50	1226	4247.50	2683	1.58	10080	1.50
Auger								
Stripping Field Asst.	mo	180.00	2/5	855.00	1.9	450.00	6	450.00
Trenching Technical	Day	25.00	1/2	800.00	16	50.00	30	50.00
Test Pits								
Roads and Trails	Hr.	.00	0	2075.00	166	12.50	200	12.50
Total Distributed Costs		2531.50		9424.50				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Total Costs		2531.50		9424.50				

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.

Remarks:

Date 6-14-56 Operator Marble Canyon Uranium Inc.

Per J. D. Herman Title General Manager

J.D. Herman

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)

M. A. Lopez, Mining Engineer, 7/2/56

CRW

INSTRUCTIONS

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

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

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

GPO 872894

RECEIVED
JUL 23 1956

June 4, 1956

Mr. S. R. Wilson
U. S. Bureau of Mines
1600 East First South
Salt Lake City, Utah

Re: DMRA 3612 (Uranium)
Marble Canyon Uranium, Inc.
(Red Wing Claims, et al)
Coconino County, Arizona

NARRATIVE REPORT
January & February 1956

Dear Mr. Wilson:

In our Narrative Report of November and December we reported on drill holes No. 3 to No. 9 inclusive. We now wish to report on drill holes No's 1, 10, 11, 12, 20, inclusive. Enclosed are up to date maps of the Lower and Upper Hartley, logs and Invoices.

Drill Hole No. 1

Happy No. 2 Claim
Started 1-27-56
Finished 1-27-56

Originally Hole No. 1 was abandoned at the start of the program in September 1955 because of caving ground. The new site was selected as close to the Government Grid stake as possible.

This Hole was drilled to prove that the Lower Hartley contact is rising to the northwest.

Drilled through Hartley 190'. (See Log)

Drill Hole No. 10

Happy No. 1 Claim
Started 1-31-56
Finished 1-31-56

The reason for the change in the location of this Hole was because of severe topography.

The purpose of this Hole was to prove that the Lower Hartley contact is rising to the west. It was also used to prove that the Upper Hartley is lensing out to the west.

Drilled through the Lower Hartley 330'. (See Log)

Drill Hole No. 11

Happy No. 1 Claim
Started 1-30-56
Finished 1-30-56

The reason for the variation from the Government Grid stake was because of severe topography.

No. 11 was drilled on the Government Grid and was used to prove that the Lower Hartley contact is rising to the west. It was also used to show that the Upper Hartley is lensing out to the west.

Drilled through the Lower Hartley 260'. (See Log)

Drill Hole No. 12

Red Wing No. 3 Claim
Started 2-1-56
Finished 2-1-56

The reason for the change in the location of this Hole was because of severe topography.

The purpose for drilling this Hole was to define the flanks of the Lower Hartley.

Drilled through Lower Hartley 325'. (See Log)

Drill Hole No. 20

Leone No. 3 Claim
Started 2-27-56
Finished 2-27-56

Our Consulting Geologist, J. J. Beeson, recommended that we drill Hole No. 20 as the area was in a fractured zone showing alterations and bleaching.

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JUL 2 3 1953

Drilled through the Lower Hartley 200' depth. Note that Hole No. 20 showed a decided improvement in radiometric count as compared with the Holes drilled on the east side of the Government Grid.

In order to explore the altered and shattered zone in the Chinle two more Holes were drilled off the Government Grid on Claim Leone No. 2; the results were encouraging.

The drill rig was then moved further west on Claim Lehnheer No. 1, where eleven holes were drilled at company expense. One of these Holes showed a count of approximately .60 U_3O_8. This gave us additional information of the control in the Hartley formation.

The drill rig was then moved across the Paria River to Claim Mary Y, No. 5.

Five Holes were drilled at Company expense. Although radiometric counts in these Holes were low it gave us more information on the Hartley formation.

As you know our Government Contract only covers the drilling depths through the Hartley on the Government Grid. However, the Company, at its own expense, has carried the Holes down on the Government Grid below the Hartley formation. The Holes drilled off the Government Grid, at Company expense, have mainly been to depths through the Shinarump.

For your information we wish to briefly report on the Shinarump drilling. In the earlier part of the drilling program a Shinarump Channel began to show on Red Wing Claims No's 1 and 2. In order to test this Channel an additional thirty-four Holes have been drilled at Company expense. The Channel has been traced for approximately 5,000' in the sub-surface; and is approximately 40' deep and 1200' wide. The presence of Uranium and Copper minerals have been noted, combined with such criteria as alteration zones and favorable lithology. As the channel trended to the west it deepened to approximately 60' and more sulphides and carbon were present with a good thickness of mudstone. At this point the sub-surface control was harder to determine apparently because of a change of regional dip.

We are suspending drilling pending further geological study. However, it should be evident that we are doing everything possible to find a commercial grade of Uranium ore in the Marble Canyon area.

The drilling we have done in the Marble Canyon area thus far can be briefly summarized as follows:

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JUL 23 1953

1. The shallow drilling on the east side of the Government Grid to test the Hartley has been disappointing. We have several geological reasons why this area is not as desirable as other areas in the District.

2. The Holes Drilled on the west side of the Government Grid and further west in the altered, shattered and bleached zones of the Chinle have been much more encouraging. This lends credence to the shattered and bleached zone theory of Geologist J. J. Beacon. It is thought that with more exploration work and geological study that commercial ore bodies will be found in the Hartley formation of the Chinle.

3. Drilling in the Shinarump formation has indicated an extensive Channel that is worthy of much more drilling to prove the Channel contains commercial ore.

At this time we are analyzing the drilling and exploration work that has been done so far. In the near future we will either request an amendment of our present Contract or we will request a cancellation and apply for a new and enlarged DMEA Loan.

Very truly yours,

Original Signed

J. B. Herman
General Manager

JBH:bd

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

RECEIVED
JUL 23 1956

Administrative Audit Difference Statement

Karbole Canyon Uranium, Inc.
537 - 11th Avenue
Salt Lake City, Utah

FINAL DISTRIBUTION
MADE JUL 20 1956

Date: July 13, 1956
Payee's
Reference: January, February 1956

Gentlemen:

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

Amount Claimed	$ 2,531.50
Difference	$ 298.50
Amount Approved	$ 2,233.00

The reason for the difference was due to:

Suspends:

Core Drilling - Claimed 80 ft. at a total of	$240.00
Maximum allowable cost 80 ft. @ 3.50 per ft.	200.00
Amount to be suspended	40.00

Rem Core Drilling Claimed 1226 ft. at a total cost of -	1,956.50
Maximum allowable cost, 1226 ft. @ 1.50 per ft.	1,839.00
Suspend	117.50

Disallows:

Field Assistant	$126.00
Supervising Consultant	15.00
	141.00

Total suspensions & disallowances $298.50. Withhold $500.00 pending resumption of work.

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

Very sincerely yours,

S. D. STONE
Audit Section

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

224 New Customhouse
Denver 2, Colorado

July 11, 1956

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: DMEA Docket 3612 (Uranium) Contract Idm-R816, Marble Canyon Uranium, Inc. (Red Wing claims et al.) Coconino County, Arizona - Operator's Monthly Progress Report for the period January-February, 1956

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

It is deemed that the Operator has complied with the intent of the contract, and the work completed is acceptable to the Government. We recommend that payment be made to the Operator on the following basis, subject to your verification of the correctness of applicable rates and arithmetical accuracy of computations.

Category (1), Independent Contracts
Suspensions

Core drilling

Amount reported this period, 80 feet at a total cost of	$ 240.00
Maximum allowable cost, 80 feet at $2.50 per foot	200.00
Amount to be suspended	$ 40.00

Non-core drilling

Amount reported this period, 1226 feet at a total cost of	$1,956.50
Maximum allowable cost, 1226 feet at $1.50 per foot	1,839.00
Amount to be suspended	$ 117.50

Amounts suspended to date, Category (1)

Core drilling:

Amount previously suspended	$179.50
Amount suspended this period	40.00
Amount suspended to date	$219.50

Non-core drilling:

Amount previously suspended	$105.50
Amount suspended this period	117.50
Amount suspended to date	$223.00

Category (2), Labor and Supervision

Field Assistant

SCHEDULE USED AS BASIS FOR PRORATING COSTS

Stage	Percent for preliminary work on roads, etc.	Percent for Supervision of Drilling Operations and related work	Percent apportioned to each stage	Prorated units of work (months)	Allowable Cost	Estimated apportioned percent completed	Allowable cost to date	Balance of funds available
I	18	14	32	1.9	$855.00	27	$729.00	$126.00
II	2	30	32	1.9	855.00	0	0.00	855.00
III	0	18	18	1.1	495.00	0	0.00	495.00
IV	0	18	18	1.1	495.00	0	0.00	495.00
Totals	20	80	100	6.0	$2700.00	27	$729.00	$1971.00

Allowable cost to date	$729.00
Allowable costs previously reported	675.00
Accepted cost this report	$ 54.00

Amount claimed on Form MF-184 for the period

January-February, 1956	$180.00
Accepted cost this report	54.00
Amount to be disallowed	$126.00

Supervising Consultant

SCHEDULE USED AS BASIS FOR PRORATING COSTS

Stage	Prelim. Geology & Location of Stage I Holes	Location of Holes Stages II-IV	Probing & Logging of Holes	Percent apportioned to each Stage	Prorated units of work (Days)	Cost	Estimated apportioned percent completed	Allowable cost to date	Balance of funds available
I	50%	0	4%	54	16	$800.00	53	$785.00	$15.00
II	0	11%	11%	22	7	350.00	0	0.00	350.00
III	0	6%	6%	12	3 1/2	175.00	0	0.00	175.00
IV	0	6%	6%	12	3 1/2	175.00	0	0.00	175.00
Totals	50%	23%	27%	100	30	$1,500.00	53	$785.00	$715.00

Allowable costs to date---------- $785.00
Allowable costs previously reported---------- 775.00
Accepted cost this report---------- $ 10.00

Amount claimed on Form MF-104 for the period
January-February, 1956---------- $ 25.00
Accepted cost this report---------- 10.00
Amount to be disallowed---------- $ 15.00

Withhold the amount of $500.00 pending resumption of work under the contract. Operations are temporarily suspended pending evaluation of work performed to date under the contract.

Reconciliation with Amount Reported by the Operator on Form MF-104 for the Period January-February, 1956

Amount reported this period----------$2,531.50
Amounts to be suspended:
Core drilling---------- $40.00
Non-core drilling-------- 117.50
Total amount to be suspended---$157.50

Amounts to be disallowed:

Field Assistant----------$126.00
Supervising Consultant-------- 15.00
Total amount to be disallowed--------$141.00

Total of suspensions and disallowances---------- $ 298.50

Accepted cost for January-February, 1956-------- $2,233.00

Government participation at 75 percent---------- $1,674.75
Amount to be withheld---------- 500.00
Recommended payment to the Operator, subject to subsequent review by the Contract Administration and Audit Division, DMEA-- $ 1,174.75

Remarks

Date of Report----------June 14, 1956
Date Received in Field Office---------- June 18, 1956
Date Received in Region Office---------- July 6, 1956

W. M. TRAVER

W. M. Traver

Enclosures

JDC:jy
cc: MF-104 File E816
Sec. Op. Comm. (2)
S. R. Wilson
J. W. Townsend w/copy engr's. report
J. D. Cooper
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 12, UTAH

DMEA
Date Rec'd.
JUL 6 1956
BUREAU OF MINES
Denver, Colorado

July 3, 1956

Memorandum

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

From: Stephen R. Wilson

Subject: Docket No. DMEA-3612 (Uranium), Contract Idm-2816, Marble Canyon Uranium, Inc., Coconino County, Arizona. MF-104 forms for the period January and February 1956

Enclosed are the required copies of the subject operator's report covering exploration completed during January and February 1956. An inspection of the project site was made by M. E. Moore June 26, 1956. The inspecting engineer verified by measurement and examination of core that the operator completed five drill holes consisting of 1,226 feet of monitors and 80 feet of core drilling. The work as reported is in conformance with the contract.

No significant uranium mineralization has been encountered in the contract drilling to date. Small amount of radioactivity was was noted in Holes Nos. 1 and 10 by AEC probing. The favorable Chinle sandstone horizons, the Upper and Lower Hartley beds, were cut at variable depths to 380 feet.

The operator has suspended the exploratory work pending a study of results completed to date. It appears probable that the operator will request termination of the present contract and may request additional work in other areas.

It is recommended that the operator be reimbursed by 75 percent of the expenditures as noted in the inspecting engineer's memorandum. Such reimbursement should be subject to clarification of the operator's intentions. An appraisal of the geology should be made by the Geological Survey prior to approval of additional drilling on the property.

The operator's report was received in this office June 18, 1956. Delay in transmitting forms to Denver resulted from the assignment of the inspecting engineer on other work.

Stephen R. Wilson
Stephen R. Wilson

Enclosure

cc: J. B. Clemmer

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 12, UTAH

RECEIVED
JUL 3 3 1956

July 2, 1956

Memorandum

To: Stephen R. Wilson

From: M. N. Howes

Subject: Docket No. DMEA-3612 (Uranium), Contract Ida-E816, Marble Canyon Uranium, Inc., Coconino County, Arizona. Progress report for January and February 1956

The Marble Canyon Uranium, Inc. property was inspected June 26, 1956, accompanied by F. W. Johnson. It is verified that 5 holes consisting of 1,226 feet of noncore and 80 feet of core drilling, for a total of 1,306 feet, as reported on form MF-104a, is correct, and that the work was performed in accordance with the contract.

Holes Nos. 1, 10, 11, 12, and 20 were completed during the period January and February 1956. A small amount of radioactivity was encountered in Holes Nos. 1 and 10 by AEC probing. The operator reported that Hole No. 20 showed radioactivity on the company probe. The favorable Chinle sandstone horizons, called the Upper and Lower Hartley beds, were cut at variable depths to 308 feet. The holes were all logged geologically and probed radiometrically. Drill cuttings and cores were properly stored for Government use. Tabulation of drill hole data follows:

Hole No.	Alluvium Interval	Upper Hartley Interval	Lower Hartley Interval	Noncore Drilling (feet)	Core Drilling (feet)	Depth of Hole	AEC Radiometric Log
1	0'-100'	100'-122'	176'-192'	170'	20	190'	.01 eU_3O_8 at 103'-106' .01 " " 110'-114' Rise in background 115'-190'
10	0'-170'	absent	282'-308'	310'	20	330'	Rise in background 212'
11	0'-100'	156'-160'	204'-235'	240'	20	260'	No count
12	0'-20'	15'-40'	86'-110'	306'	20	326'	No count
20	0'-80'	99'-111'	144'-170'	200'	0	200'	No count
	Total			1,226	80	1,306'	

Holes No. 1 and 12 were continued from the Lower Hartley member through the Shinarump conglomerate into the Moenkopi at company expense. No radioactivity was encountered below the Chinle formation.

The operator is analysing the results of the exploratory drilling completed thus far. He reports that, because of the disappointing tests of the Hartley members on the Government grid, he will probably request termination of the present program and apply for authorization to explore on more desirable areas on the property.

The accounts were checked and it is verified that all charges, as reported on form MF-104, were necessary and that, with the exception of charges for noncore and core drilling, they do not appear to be excessive. The maximum allowable cost for 1,226 feet of noncore drilling at $1.50 per foot is $1,839.00 instead of $1,956.50 as reported. The maximum allowable cost for 80 feet of core drilling at $2.50 per foot is $200.00 instead of $240.00 as reported. The amount in excess of the maximum allowable drilling cost is $157.50.

The operator's narrative report and map are considered to be adequate.

It is recommended that the operator be reimbursed $1,780.50, which is 75 percent of $2,531.50 less $157.50, the maximum allowable cost for January and February 1956.

M. H. Howes

M. H. Howes

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

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of Nov. and Dec., 1955 Docket No. DMEA 3612 Contract No. IDM-F816
Operator's Name Marble Canyon Uranium, Inc. Minerals Uranium
Address 200 Newhouse Bldg., Salt Lake City 11, Utah
Contract Amount, $ 32,440.00 Government Participation: 75 % Amount, $ 24,330.00

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 Contracts:						
Drilling	3,096.50	271.50	3,368.00			
Bulldozing	1,531.25	1,056.25	2,587.50			
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision	600.00	1,050.00	1,650.00			
Technical Services	2,235.73	2,188.14	4,473.87			
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	$7,513.48	$4,565.89	$12,079.37	3,840.25	4,565.89	8,406.14
				4	1,798.14	1,798.14

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

Date Jan. 16, 1956 *Payee Marble Canyon Uranium, Inc.

Per J. E. Johnson Title Business Manager

*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:
2,767.75 6,608.00
$ 2880.19

Signature
(Authorized Certifying Officer)

Date 4/30/56 Vou. No. DMA 56-103
(See other side)

RECEIVED
MAY 3 - 1956

✓ 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. Idm-E816 in accordance with the terms of the contract.

Signature M. H. Howes JRW Title Mining Engineer Date Mar. 1, 1956

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature W. M. Weaver Title Executive Officer Date ~~MAR~~ APR 26 1956

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Nov. & Dec. 1955 Docket No. DMEA 3612 Contract No. DDM-1816
Operator's Name Marble Canyon Uranium, Inc. Minerals Uranium
Address 200 Newhouse Bldg., Salt Lake City 11, 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								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core	1 Ft.	1,017.00	339	1,077.00	359	3.00	2,520	2.50
~~Churn~~ Non-core	1 Ft.	2,079.50	1316	2,291.00	1457	1.572	10,080	1.50
Auger								
~~Stripping~~ Field Ass't.	Mo.	600.00	2	1,650.00	3½		6	450.00
~~Trenching~~ Technical	Day	2,285.73	41	4,473.87	56½		30	50.00
Test Pits								
Roads and Trails	1 Hr.	1,531.25	122½	2,587.50	207	12.50	200	12.50
TOTAL DISTRIBUTED COSTS		7,513.48						TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		$7,513.48		$12,079.37				$ 32,460.00

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 Jan. 16, 1956 Operator Marble Canyon Uranium, Inc.

Per J. E. Lehnherr Title Business Manager

J. E. Lehnherr

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

REMARKS:

(Instructions on reverse)

(For Government use only)

M. G. Howes, Mining Engineer, Mar. 1, 1956
EKW

RECEIVED
MAY 3 - 1956

INSTRUCTIONS

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

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

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

GPO 872894

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

Administrative Audit Difference Statement

Marble Canyon Uranium, Inc.
587 - 11th Avenue
Salt Lake City 3, Utah

Date: April 30, 1956
Payee's Reference: November - December 1956

FINAL DISTRIBUTION

MADE MAY 1 1956

Gentlemen:

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

Amount Claimed	$	7,513.48
Difference	$	3,673.23
Amount Approved	$	3,840.25

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MAY 3 - 1956

The reason for the difference was due to:

Suspend:

Core Drilling - Claimed 339 ft at a total cost of 1,017.00

Maximum allowable cost, 339 ft @ $2.50/ft 847.50
suspended 169.50

Noncore Drilling - Claimed 1316 ft at a total cost 2,079.50

Maximum allowable cost 1316 ft @ 1.50/ft 1,974.00
105.50

Disallow:

Field Assistant	600.00		
Supervising Consultant	2,285.73		
Bulldozing	512.50		
	3,398.23	Total suspensions &	3,398.23
		disallowances	3,673.23

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

Very sincerely yours,

N. E. Stokes
Audit Section

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

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

224 New Customhouse
Denver 2, Colorado

April 26, 1956

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: DMEA Docket 3612 (Uranium) Contract Idm-E816, Marble Canyon Uranium, Inc. (Red Wing claims et al.) Cocomino County, Arizona - Operator's Monthly Progress Report for the period November-December, 1955

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

It is deemed that the Operator has complied with the intent of the contract, and the work completed is acceptable to the Government. We recommend that payment be made to the Operator on the following basis, subject to your verification of the correctness of applicable rates and arithmetical accuracy of computations.

Category (1) Independent Contracts

Core drilling

Amount reported this period, 339 feet at a total cost of	$1,017.00
Maximum allowable cost, 339 feet at $2.50/ft.	847.50
Amount to be suspended	$ 169.50

Noncore drilling

Amount reported this period, 1316 feet at a total cost of	$2,079.50
Maximum allowable cost, 1316 feet at $1.50/ft.	1,974.00
Amount to be suspended	$ 105.50

RECEIVED
MAY 3 - 1956

Amounts suspended to date, Category (1)

Core drilling:

Amount previously suspended	$ 10.00
Amount suspended this period	169.50
Amount suspended to date	$179.50

Noncore drilling:

Amount previously suspended	$ 0.00
Amount suspended this period	105.50
Amount suspended to date	$105.50

We were instructed by the Chairman, Operating Committee, DMEA by teletype dated April 6, 1956 to prorate the costs of the Supervising Consultant and Field Assistant as well as the Fixed Unit Costs in proportion to the total amount of work authorized in the contract. Therefore, the costs of the Supervising Consultant and Field Assistant as well as the Fixed Unit Costs are apportioned to all four stages as shown in the following schedules which are used as the basis of the amounts recommended for reimbursement to the Operator.

Category (2) Labor and Supervision

Field Assistant

SCHEDULE USED AS BASIS FOR PRORATING COSTS

Stage	Percent for preliminary work on roads, etc.	Percent for Supervision of Drilling Operations and related work	Percent apportioned to each stage	Prorated units of work (Months)	Allowable Cost	Estimated apportioned percent completed	Allowable cost to date	Balance of funds available
I	18	14	32	1.9	$855.00	25	$675.00	$180.00
II	2	30	32	1.9	855.00	0	0.00	855.00
III	0	18	18	1.1	495.00	0	0.00	495.00
IV	0	18	18	1.1	495.00	0	0.00	495.00
Totals	20	80	100	6.0	$2700.00	25	$675.00	$2025.00

Total amount reported to date, 3 1/2 months at a
totatal cost of----------$1,650.00
Suspensions and Disallowances
Amount previously suspended but
now disallowed----------$375.00
Amount to be disallowed this report- 600.00
Total disallowances 975.00
Accepted cost to date---------- $ 675.00
Previous accepted cost---------- $ 675.00
Accepted cost this report---------- $ 0.00

Supervising Consultant

SCHEDULE USED AS BASIS FOR PRORATING COSTS

Stage	Prelim. Geology & Location of Stage I Holes	Location of Holes Stages II-IV	Probing & Logging of Holes	Percent apportioned to each Stage	Prorated units of work (Days)	Cost	Estimated apportioned percent completed	Allowable cost to date	Balance of funds available
I	50%	0	4%	54	16	$800.00	52	$775.00	$25.00
II	0	11%	11%	22	7	350.00	0	0.00	350.00
III	0	6%	6%	12	3 1/2	175.00	0	0.00	175.00
IV	0	6%	6%	12	3 1/2	175.00	0	0.00	175.00
Totals	50%	23%	27%	100	30	$1,500.00	52	$775.00	$725.00

Total amount reported to date, 56 1/2 days at
a total cost of----------$4,473.87
Suspensions and Disallowances
Amount previously suspended but
now disallowed----------$1,413.14
Amount to be disallowed this report- 2,285.73
Total disallowances 3,698.87
Accepted cost to date---------- $ 775.00
Previous accepted cost---------- $ 775.00
Accepted cost this report---------- $ 0.00

Fixed Unit Costs

Bulldozing

SCHEDULE USED AS BASIS FOR PRORATING COSTS

Stage	Percent Bulldozing in Road Work	Percent Bulldozing in preparation of Drill Sites	Percent apportioned to each stage	Prorated units of work (Hours)	Cost of Bulldozing	Estimated apportioned percent completed	Allowable costs to date	Balance of funds available
I	81	2	83	166	$2,075.00	83	$2,075.00	$ 0.00
II	9	4	13	26	325.00	0	0.00	325.00
III	0	2	2	4	50.00	0	0.00	50.00
IV	0	2	2	4	50.00	0	0.00	50.00
Totals	90	10	100	200	$2,500.00	83	$2,075.00	$425.00

Total amount reported to date, 207 hours at
$12.50 per hour----------$2,587.50
Disallowances
Amount previously disallowed-----$ 0.00
Amount disallowed this report---- 512.50
Total disallowances 512.50
Accepted costs to date---------- $2,075.00
Previous accepted cost---------- $1,056.25
Accepted cost this report---------- $1,018.75

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

Amount Reported this period----------$7,513.48
Amounts to be suspended
Core drilling----------$169.50
Noncore drilling---------- 105.50
Total to be suspended $275.00
Amounts to be disallowed
Field Assistant----------$600.00
Supervising Consultant-----2,285.73
Bulldozing---------- 512.50
Total to be disallowed 3,398.23

Total of suspensions and disallowances---------- 3,673.23

Total accepted cost for Nov-Dec, 1955----------$3,840.25

Government participation at 75 percent----------$2,880.19

Recommended payment to the Operator----------$2,880.19

Remarks

Date of Report----------January 16, 1956
Date Received in Field Office---------- January 30, 1956
Date Received in Region Office---------- March 5, 1956

W. M. TRAVER

W. M. Traver

Enclosures

JDC:jy
cc: MF-104 File E816
Sec. Op. Comm. (2)
S. R. Wilson
J. W. Townsend w/copy engr's. report
J. D. Cooper
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 1, UTAH

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

April 17, 1956

Memorandum

To: W. H. Traver, Executive Officer, DMEA Field Team, Region III

From: Stephen R. Wilson

Subject: Docket No. DMEA-3012 (Uranium), Contract Idm-2816, Marble Canyon Uranium Corp., Coconino County, Arizona. MF-104 forms for November and December 1955

Enclosed are the required copies of the subject operator's report covering exploration during the two months, November and December 1955. An inspection of the project site was made by M. H. Howes February 7, 1956. The inspecting engineer verified by measurement and examination of core that the operator completed seven diamond drill holes during the period. The work consisted of 1,316 feet of noncore and 330 feet of core drilling, plus 133-1/2 hours of bulldozer drill-site preparation. The work is in conformance with contract terms, with the exception that the maximum allowable bulldozer hours have been exceeded.

No uranium mineralization of significance has been encountered in the drilling to date. The favorable Chinle sandstone horizons, the Upper and Lower Hartley beds, were cut at variable depths to 330 feet. The inspecting engineer's progress report includes a log of holes completed during the period, together with a notation of mineralization encountered in the holes.

A tabulation of cost items in the inspecting engineer's report includes reported costs, maximum allowable cost, and cost differences, with amounts of excess costs which are suspendable. The inspecting engineer has apportioned the costs of the supervising consultant and the bulldozing in accordance with your memorandum dated April 9, 1956.

It is recommended that the contractor be reimbursed by 75 percent of the costs as outlined in the inspecting engineer's memorandum.

Stephen R. Wilson

Stephen R. Wilson

Enclosure

cc: J. B. Clemmer

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

April 16, 1956

Memorandum

To: Stephen R. Wilson

From: M. K. Hosea

Subject: Docket No. DMEA-3612 (Uranium), Contract Ida-2816, Marble Canyon Uranium, Inc., Coconino County, Arizona. Revised Progress report for November and December 1955.

The Marble Canyon Uranium, Inc. property was inspected February 7, 1956, accompanied by H. F. Albee, Geological Survey, and J. B. Herman. It is verified that 7 holes consisting of 1,316 feet of monsoore and 339 feet of core drilling, for a total of 1,655 feet, and 122½ hours of bulldozer road and drill site construction, as reported on form MF-104a, is correct, and that the work was performed in accordance with the contract, except that the bulldozer time exceeded the maximum allowable total by 7 hours.

Holes No. 3 through 9 were completed during the period November and December 1955. These holes encountered traces of eU_3O_8. The favorable Chinle sandstone horizons, called the Upper and Lower Hartley beds, were cut at variable depths to 280 feet. The holes were all logged geologically and probed radiometrically. Drill cuttings and cores were properly stored for Government use. Tabulation of drill hole data follows:

Hole No.	Alluvium Interval	Upper Hartley Interval	Lower Hartley Interval	Monsoore Drilling (feet)	Core Drilling (feet)	Depth of Hole	Remarks
3	0'-60'	60'-96'	132'-158'	105	55	160'	Tr. eU_3O_8 at 152'
4	0'-70'	70'-116'	170'-183'	149	51	200'	Tr. " " 180'-181'
5	0'-40'	40'-80'	133'-155'	113	47	160'	Tr. " " 8'-122'
6	0'-70'	124'-160'	214'-240'	215	45	260'	Tr. " " 190'
7	0'-80'	150'-178'	230'-251'	194	61	255'	Tr. " " 239'
8	0'-100'	190'-196'	236'-261'	260	60	320'	.02 " " 255'-256'
9	0'-120	194'-224'	252'-287'	280	20	300'	Tr. " " 202'-204'
	Total			1,316	339	1,655'	

After passing through the contract objective Chinle sandstones, the operator continued most of the above-listed holes down through the Shinarump conglomerate at company expense. Radiometric probing below the Chinle gave negative results.

The accounts were checked and certain costs were found to exceed the contract maximum allowable costs. The following table shows items of cost, reported costs, maximum allowable costs, and cost differences with amounts of excess costs, which are suspendable.

NOVEMBER AND DECEMBER 1955

Items of Cost	Reported Cost	Maximum Allowable Cost	Cost difference for Nov. & Dec.	Cost difference to Nov. 1	Cost difference to Jan. 1
Independent Contracts					
Core drilling	339' $2,017.00	339' $ 847.50	339' $ 169.50*	20' $ 10.00*	359' $ 179.50*
Rotary drilling	1316' 2,079.50	1316' 1,974.00	1316' 105.50*	141' 0.00	1457' 105.50*
Reaming and casing	—	—	—	—	—
Personal Services					
Supervising consultant	41 days $2,285.73	14½ days $ 725.00	14½ days $1,560.73*	15½ days $1,413.34*	30 days $2,973.87*
Field assistant	2 mo. 600.00	2 mo. 900.00	2 mo. 300.00**	1½ mo. 375.00*	3½ mo. 75.00*
Bulldozer Work	122½ hrs. $1,531.25	115½ hrs. $1,443.75	115½ hrs. $ 87.50*	8½ hrs. $ 5.00	200 hrs. $ 87.50*
Radiometric Probing & Standby Time	—	—	—	—	—
Chemical Analyses	—	—	—	—	—
Total	$7,513.48	$5,890.25	$1,623.23*	$3,796.14*	$5,421.37*

* Suspense balance (Amount over maximum allowable cost)
** Credit balance (Amount under maximum allowable cost)

Although the contract does not stipulate or imply that it will be necessary to apportion the costs of the supervising consultant and the bulldozing to the monthly operation on the basis of the over-all estimate of work to be performed under the contract, the Chairman, Operating Committee, in his teletype of April 6, 1956, instructed the

Executive officer to have the allowable costs prorated on the basis of currently completed work.

In order to reach a fair apportionment of costs, based on four stages of the project, certain facts and estimations regarding the work must be understood. The access road construction takes approximately 90 percent of the bulldozer work. Most of the drill sites are located on or adjacent to the road. Therefore, drill site preparation is estimated to require about 10 percent of the bulldozer work. Stage I holes occupy about 90 percent of the road building distance of the entire drilling grid. It is believed that the following table lists a reasonable and fair apportionment of the bulldozing costs for each stage of the contract work.

Stage	Percent Bulldozing in Road Work	Percent Bulldozing in Preparation of Drill Sites	Total Percent Bulldozing	Bulldozing Hours	Cost of Bulldozing
Stage I	81	2	83	166	$2,075.00
Stage II	9	4	13	26	325.00
Stage III	0	2	2	4	50.00
Stage IV	0	2	2	4	50.00
Total	90	10	100	200	$2,500.00

The duties of the supervising consultant and the field assistant are not defined in the contract. Allowance is made for the supervising consultant for 30 days at $50 per day for a maximum total of $1,500, and for the field assistant for 4 months at $450 per month for a maximum total of $2,700. The contract states that the drill holes for Stages I and II shall be located as indicated by the map (fig. 3), which is attached to the contract, and that all holes shall be probed radiometrically and logged geologically. It appears reasonable that the location and geological logging of the holes, as well as radiometric probing of the holes or supervision thereof, should be done by the supervising consultant, because of his technical training as a geologist. It also seems logical that he should map the surface geology in the area of the Government-approved drill grid, so that the target horizon can be intelligently projected to the locations of the various drill holes, and that maps showing geology and work progress be prepared by him. The field assistant, who is employed full time should logically assume the job of direct supervision of the contract work, which includes location and construction of access roads, preparation of drill sites, drilling of holes, determination of favorable horizons in the holes (under direction of the geologist), and storage of drill hole cuttings and cores.

It is estimated that the supervising consultant's work related to the contract is divided in percentages as follows: preliminary geological mapping of the surface and surveying locations of Stage I holes, 50 percent; radiometric probing and geological logging of holes, preparing maps, location of holes for remaining stages, and consulting, 50 percent. It is believed that a reasonable and fair apportionment of the cost of the supervising consultant for each stage of the contract work is as follows:

Stage	Preliminary Geology and Location of Stage I Holes	Location of Holes Stages II-IV	Probing & Logging of Holes	Total Percent	Days	Cost
Stage I	50%	0	4%	54	16	$ 800.00
Stage II	0	11%	11%	22	7	350.00
Stage III	0	6%	6%	12	3½	175.00
Stage IV	0	6%	6%	12	3½	175.00
Total	50%	23%	27%	100	30	$1,500.00

The operator's narrative report and map are considered to be adequate.

It is recommended that the operator be reimbursed $3,555.19 for November and December 1955, as shown in the following tabulation:

Independent Contracts

Core drilling, 339 feet at $2.50 per foot	$ 847.50
Reverse drilling, 1,316 feet at $1.50 per foot	1,974.00

Personal Services

Supervising consultant	0.00*
Field assistant, 2 months at $450 per month	900.00
Bulldozing, 81½ hours at $12.50 per hour	1,018.75
Total allowable cost for November and December	$4,740.25
Government participation at 75 percent	$3,555.19

* Supervising consultant already paid $775 for 15½ days of the apportioned 16 days for all of Stage I.

M. H. Howes

M. H. Howes

January 16, 1956

Mr. S. R. Wilson
U. S. Bureau of Mines
1600 East First South
Salt Lake City 1, Utah

Re: DMEA 3612 (Uranium)
Marble Canyon Uranium, Inc.
(Red Wing Claims, et al)
Coconino County, Arizona

NARRATIVE REPORT

November and December, 1955

Work on our drilling project progressed very rapidly during the period. Our geologist, Phillip McCary, and associates worked out a complete set of maps.

Map No. 1 - A structure contour map of the Upper Hartley Sandstone formation.

Map No. 2 - A structure contour map of the Lower Hartley Sandstone formation.

Map No. 3 - A structure contour map of the Shinarump Conglomerate formation.

We wish to emphasize that our contract calls for drilling to the base of the Hartley formation, which objective is from 160 to 320 feet, and the Company at its own expense carried each hole down to the Shinarump objective, or from 300 to 472 foot depths. We have enclosed complete maps and logs on the total drilling although the Government is concerned only with the costs to the Hartley objective.

All holes have been logged geologically and probed radiometrically. Probing was done by the driller and also by the A.E.C. We have taken the A.E.C. probing as official. All holes were drilled to the Hartley and Shinarump objectives. Cuttings and cores have been saved according to Government specification, and our geologist considers it unnecessary to make chemical assays at present. As assays are made, the certificates will be mailed with subsequent reports.

It was necessary to maintain the bulldozer as standby, and as the area was very sandy most of the roads had to be surfaced with clay to accommodate the movement of the heavy drilling machinery.

In our first report we enclosed the logs and description of hole No. 2. This report covers the logs and descriptions of holes No. 3 to No. 9 inclusive.

Drill Hole No. 3, completed Nov. 7, 1955, had 60 ft. of overburden and was drilled to a depth of 432 ft. The base of the Upper Hartley was found at 96 ft. The base of the Lower Hartley was found at 158 ft., and the Shinarump-Moenkopi contact was found at 368 ft. A trace of mineralization was found at 152 ft., which is in the lower portion of the Lower Hartley sand lens. Cuttings were retrieved from 60 to 105 ft. Core was taken from 105 to 160 ft., then cuttings were again retrieved down to 355 ft. Core was taken from 355 to 360 ft., then cuttings were again taken to the bottom, which is 432 ft. No water was encountered in the hole.

Drill Hole No. 4, completed Nov. 10, 1955, had 70 ft. of overburden and was drilled to a depth of 380 ft. The base of the Upper Hartley was found at 116 ft., and the base of the Lower Hartley was found at 183 ft. The Shinarump-Moenkopi contact was not reached since water was encountered at 340 ft. A trace of count was found at 110 ft., which is just above the base of the Upper Hartley, and about 1 ft. of a trace of count was found at 181 ft., which is just above the base of the Lower Hartley. Cuttings were retrieved from 70 to 138 ft., then core was taken down to 200 ft. Cuttings were again retrieved down to 340 ft. There was no recovery after 340 ft. since water was encountered at this point.

Drill Hole No. 5, completed Nov. 12, 1955, had 40 ft. of overburden and was drilled to a depth of 360 ft. The base of the Upper Hartley was encountered at 80 ft., and the base of the Lower Hartley was encountered at 155 ft. The Shinarump-Moenkopi contact was found at 352 ft. A trace of count was found from 8 to 122 ft., most of which is probably contamination. Cuttings were saved from 40 to 88 ft., then core was taken down to 100 ft. Cuttings were again saved down to 125 ft. Core was taken from 125 to 160 ft., then cuttings were saved down to 360 ft. No water was encountered in the hole.

Drill Hole No. 6, completed Nov. 15, 1955, had 70 ft. of overburden and was drilled to a depth of 472 ft. The base of the Upper Hartley was found at 160 ft., and the base of the Lower Hartley was found at 240 ft. The Shinarump-Moenkopi contact was found at 456 ft. This hole was probed only once and the results are probably inaccurate. The hole caved in at 38 ft. when the probing was attempted the second time. The best indication of any count was found at 190 ft. which is probably only a trace. It occurred in a red and grey varigated mudstone between the base of the Upper Hartley and the top of the Lower Hartley. Cuttings were retrieved from 70 to 215 ft., at which time core was taken down to 260 ft. From 260 ft. to the bottom of the hole cuttings were retrieved. No water was encountered in this hole.

Drill Hole No. 7, completed Nov. 22, 1955, had 80 ft. of overburden and was drilled to a depth of 255 ft. The base of the Upper Hartley was found at 178 ft., and the base of the Lower Hartley was found at 251 ft. A trace of count was found at 239 ft., which is in the lower portion of the Lower Hartley sandstone. Cuttings were saved from 80 to 190 ft. at which time core was taken to the bottom of the hole or 255 ft. No water was encountered in this hole.

Drill Hole No. 8, completed Nov. 27, 1955, had 100 ft. of overburden and was drilled to a depth of 300 ft. The base of the Upper Hartley was found at 196 ft., and the base of the Lower Hartley was found at 261 ft. A trace of count was found at 183 ft., which is probably the middle portion of the Upper Hartley. One foot of .02 U_3O_8 equivalent was found at 255 ft. This is the lower portion of the Lower Hartley sandstone. Cuttings were saved from 100 to 240 ft., at which time core was taken to 300 ft., which is the bottom of the hole. No water was encountered in this hole.

Drill Hole No. 9, completed Nov. 27, 1955, had 120 ft. of overburden and was drilled to a depth of 300 ft. The base of the Upper Hartley was found at 224 ft., and the base of the Lower Hartley was found at 287 ft. A trace of count 2 ft. thick was found at 202 ft. This is in the upper portion of the Upper Hartley. Cuttings were saved from 120 to 280 ft., at which time core was taken to 300 ft. or the bottom of the hole. No water was encountered in this hole.

Our geologist reports that drilling so far has not indicated any control of the Chinle formation, although channel effects are beginning to show in the Shinarump formation. It is hoped that further drilling at this stage will give us more definite information as to the geology. The Hartley objective on the Government grid pattern will require 300-foot depths in the future holes.

Yours very truly,

MARBLE CANYON URANIUM, INC.

By: J. E. Lehnherr

J. E. Lehnherr
Business Manager

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

RECEIVED
MAY 7 - 1956

224 New Customhouse
Denver 2, Colorado

AIR MAIL

May 2, 1956

Mr. Max Ingalls, President
Marble Canyon Uranium, Inc.
1502 South 5th Street
Suite 17 and 19
Levitt Building
Las Vegas, Nevada

Re: Docket DMEA-3612 (Uranium)
Contract Idm-E816
Red Wing claims, et al.
Coconino County, Arizona

Dear Mr. Ingalls:

Your Monthly Progress Report and Voucher for the period November-December, 1955 has been processed for payment. A number of deductions were made from the amounts reported on Form MF-104. These deductions are explained in detail below.

We have been instructed by the Washington Office to prorate the costs of the Field Assistant and Supervising Consultant, as well as the "Fixed Unit Costs" on the basis of the total work authorized in the contract. Schedules have been prepared showing the allowable costs to be apportioned to each of the four stages of work. These schedules are the basis for reimbursement on the November-December, 1955 voucher and will be the basis for reimbursement on all future vouchers.

The November-December, 1955 voucher has been processed as indicated below, subject to verification by the Finance Office of arithmetical accuracy within the report, and also subject to subsequent review of contract expenditures by the Contract Administration and Audit Division, DMEA.

Category (1) Independent Contracts

Core drilling

Amount reported this period, 339 feet at a total cost of	$1,017.00
Maximum allowable cost, 339 feet at $2.50/ft.	847.50
Amount suspended	$ 169.50

Noncore drilling

Amount reported this period, 1316 feet at a total cost of	$2,079.50
Maximum allowable cost, 1316 feet at $1.50/ft.	1,974.00
Amount suspended	$ 105.50

Amounts suspended to date, Category (1)

Core drilling:

Amount previously suspended	$ 10.00
Amount suspended this period	169.50
Amount suspended to date	$ 179.50

Noncore drilling:

Amount previously suspended	$ 0.00
Amount suspended this period	105.50
Amount suspended to date	$ 105.50

Category (2) Labor and Supervision

Field Assistant

SCHEDULE USED AS BASIS FOR PRORATING COSTS

Stage	Percent for preliminary work on roads, etc.	Percent for Supervision of Drilling Operations and related work	Percent apportioned to each stage	Prorated units of work (Months)	Allowable Cost	Estimated apportioned percent completed	Allowable cost to date	Balance of funds available
I	18	14	32	1.9	$855.00	25	$675.00	$180.00
II	2	30	32	1.9	855.00	0	0.00	855.00
III	0	18	18	1.1	495.00	0	0.00	495.00
IV	0	18	18	1.1	495.00	0	0.00	495.00
Totals	20	80	100	6.0	$2700.00	25	$675.00	$2025.00

Total amount reported to date, 3 1/2 months at a total cost of---------- $1,650.00

Suspensions and Disallowances

Amount previously suspended but now disallowed---------- $375.00

Amount disallowed this report-------- 600.00

Total disallowances 975.00

Allowable cost to date (See Schedule)---------- $ 675.00

Previous accepted cost---------- $ 675.00

Accepted cost this report---------- $ 0.00

Supervising Consultant

SCHEDULE USED AS BASIS FOR PRORATING COSTS

Stage	Prelim. Geology & Location of Stage I Holes	Location of Holes Stages II-IV	Probing & Logging of Holes	Percent apportioned to each Stage	Prorated units of work (Days)	Cost	Estimated apportioned percent completed	Allowable cost to date	Balance of funds available
I	50	0	4	54	16	$800.00	52	$775.00	$ 25.00
II	0	11	11	22	7	350.00	0	0.00	350.00
III	0	6	6	12	3 1/2	175.00	0	0.00	175.00
IV	0	6	6	12	3 1/2	175.00	0	0.00	175.00
Totals	50	23	27	100	30	$1,500.00	52	$775.00	$725.00

Total amount reported to date, 56 1/2 days at a total cost of---------- $4,473.87

Suspensions and Disallowances

Amount previously suspended but now disallowed---------- $1,413.14

Amount disallowed this report-------- 2,285.73

Total disallowances 3,698.87

Allowable cost to date (See Schedule)---------- $ 775.00

Previous accepted cost---------- $ 775.00

Accepted cost this report---------- $ 0.00

Fixed Unit Costs

Bulldozing

SCHEDULE USED AS BASIS FOR PRORATING COSTS

Stage	Percent Bulldozing in Road Work	Percent Bulldozing in preparation of Drill Sites	Percent apportioned to each stage	Prorated units of work (Hours)	Cost of Bulldozing	Estimated apportioned percent completed	Allowable costs to date	Balance of funds available
I	81	2	83	166	$2,075.00	83	$2,075.00	$ 0.00
II	9	4	13	26	325.00	0	0.00	325.00
III	0	2	2	4	50.00	0	0.00	50.00
IV	0	2	2	4	50.00	0	0.00	50.00
Totals	90	10	100	200	$2,500.00	83	$2,075.00	$425.00

Total amount reported to date, 207 hours at $12.50 per hour		$2,587.50
Disallowances		
Amount previously disallowed	$ 0.00	
Amount disallowed this report	512.50	
Total disallowances		512.50
Allowable costs to date (See Schedule)		$2,075.00
Previous accepted cost		$1,056.25
Accepted cost this report		$1,018.75

Should the reported costs on any future Monthly Reports fall below the prorated costs as set forth in the above schedules, the applicable portions of the amounts disallowed can be reclaimed insofar as they do not exceed the maximum allowable unit cost or the maximum total cost for the item.

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

Amount Reported this period ---------- $7,513.48

Amounts suspended		
Core drilling	$169.50	
Noncore drilling	105.50	
Total suspended		$275.00
Amounts disallowed		
Field Assistant	$600.00	
Supervising Consultant	2,285.73	
Bulldozing	512.50	
Total disallowed		3,398.23
Total of suspensions and disallowances		3,673.23

Total accepted cost for Nov.-Dec., 1955 ---------- $3,840.25
Government participation at 75 percent ---------- $2,880.19

In conjunction with the foregoing, it has been administratively determined that costs in excess of the maximum allowable costs under Category (2) Labor and Supervision are not subject to subsequent reinstatement. Therefore, the excess costs of $375.00 for "Field Assistant" and $1,413.14 for "Supervising Consultant" which amounts were erroneously suspended from the September-October, 1955 voucher are to be considered as actual disallowances.

It will be necessary that your future MF-104 and MF-104A reports reflect all disallowances explained herein and by the Administrative Audit Difference Statements supplied by the Finance Office. For your use in preparing future reports on Form MF-104 and Form MF-104A, we are enclosing corrected forms for the period November-December, 1955, which include only the accepted costs plus the amounts suspended under Category (1) Independent Contracts.

If you have any question regarding the above, please feel free to contact this office.

Very truly yours,

W. M. TRAVER

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

Enclosures
JDC:jy
cc: Corresp. E816)
Sec. Op. Comm. (2)) w/copy of sample
Wilson) MF-104 and MF-104A
Townsend)
Chron.

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

RECEIVED
MAY 7 - 1956

Month of Nov.-Dec. 1955 Docket No. DMEA 3612 Contract No. Idm-E816
Operator's Name Marble Canyon Uranium, Inc. Minerals Uranium
Address 319 Newhouse Building, Salt Lake City 11, 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								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core	ft.	1017.00	339	1077.00	359	3.00	2520	2.50
~~Churn~~ Noncore	ft.	2079.50	1316	2291.00	1457	1.57	10080	1.50
Auger								
~~Stripping~~ Field Asst.	Mo.	0.00	0.0	675.00	1.5	450.00	6	450.00
~~Trenching~~ Technical	Day	0.00	0.0	775.00	15.5	50.00	30	50.00
Test Pits								
Roads and Trails	Hr.	1018.75	81.5	2075.00	166	12.50	200	12.50
TOTAL DISTRIBUTED COSTS		4115.25		6893.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		4115.25		6893.00				

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

Date ..... Operator .....

Per ..... 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.

(Instructions on reverse)

REMARKS:

(For Government use only)

Corrected (sample) form showing accepted costs, plus amounts suspended under Category (1) Independent Contracts

INSTRUCTIONS

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

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

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

GPO 872894

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

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED
MAY 7 - 1956

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of Nov.-Dec., 1955 Docket No. DMEA 3612 Contract No. Idm-E816
Operator's Name Marble Canyon Uranium, Inc. Minerals Uranium
Address 319 Newhouse Building, Salt Lake City 11, Utah
Contract Amount, $ 32,440.00 Government Participation: 75 % Amount, $ 24,330.00

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	3096.50	271.50	3368.00			
Bulldozing	1018.75	1056.25	2075.00			
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision	0.00	675.00	675.00			
Technical Services	0.00	775.00	775.00			
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase				Corrected (sample) form		
Depreciation				showing accepted costs		
(5) Initial Rehabilitation and Repairs				plus amounts suspended		
(6) New Bldgs., Improvements, etc.				under Category (1)		
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	4115.25	2777.75	6893.00			

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

Date ..... *Payee .....

Per ..... Title .....

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

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

(Instructions on reverse)

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

$.....

Signature .....
(Authorized Certifying Officer)

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

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

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

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

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

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

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 872893

DEPARTMENT OF THE INTERIOR

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25

DMEA

14X1101(02) Revolving Fund, Defense Production Act, Interior (Allocated Working Fund to Office of the Secy.)

TELETYPE

W. H. TRAVER
RESIDENT OWNER
DMEA FIELD TEAM, REGION III
NAT. NEW CENTURY BUILDING
DENVER 2, COLORADO

APR 6 1956

REPORT APRIL 3 MARCUS GARTON GRANTEE DOCKET 3612. SUPERVISING CONSULTANT AND FIELD ASSISTANT COSTS DO NOT SEEM REASONABLE. CONTRACT COSTS OF PERSONAL SERVICES AS WELL AS FIXED UNIT COSTS WERE ESTIMATED AS REASONABLE FOR THE TOTAL AUTHORIZED WORK. YOU WILL HAVE TO MAKE DETERMINATION ON THIS POINT AND PRO RATE ALLOWABLE COSTS ACCORDING TO YOUR BEST JUDGMENT. OTHERWISE IF DRILLING IS NOT DONE GOVERNMENT WILL BE PAYING COSTS THAT ARE UNNECESSARY.

George C. Selfridge

GEORGE C. SELFRIDGE
CHAIRMAN, OPERATING COMMITTEE

MChing/JLChambers:wb
April 6, 1956

Copy to: Docket
Admr. Reading File
Operating Committee
Confirmation to Region III
Messrs. JECrawford, Rm. 3641
TMKiilsgaard, Rm. 5224
JOHosted, Rm. 3210, GSA
EWEllis
JLChambers

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

Budget Bureau No. 42-R1036.5

U. S. Bureau of Mines
RECEIVED
DEC 9 1955
Salt Lake City, Utah

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of Sept. and Oct., 1955 Docket No. DMEA 3012 Contract No. [redacted]
Operator's Name Marble Canyon Uranium, Inc. Minerals Uranium
Address 319 Newhouse Building, Salt Lake City 11, Utah
Contract Amount, $ 32,440.00 Government Participation: 75 % Amount, $ 24,330.00

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 [redacted] Contracts:						
Drilling	271.50	-	271.50			
Bulldozing	1,056.25	-	1,056.25			
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision	1,050.00	-	1,050.00			
Technical Services	2,188.14	-	2,188.14			
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	4,565.89	-	4,565.89	2,767.75	—	2,767.75

RECEIVED
FEB - 9 1956

I certify that the above bill is correct and just and that payment therefor has not been received.
Date Nov. 28, 1955 Payee Marble Canyon Uranium, Inc.
Per J. D. Herman Title General Manager

*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:
$ 2975.81
Signature [illegible]
(Authorized Certifying Officer)
Date 1/31/56 Vou. No. DMA 56-64
(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. Idm-E816 in accordance with the terms of the contract.

Signature M. H. Howes SRW Title Mining Engineer Date Dec. 9, 1955

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature W. M. Lamey Title Executive Officer Date JAN 24 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).

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

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

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

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

RECEIVED
FEB - 9 1956
U. S. Bureau of Mines
RECEIVED
DEC 9 1955
Salt Lake City

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Sept. & Oct. 1955 Docket No. DMEA 3612 Contract No. [illegible]
Operator's Name Marble Canyon Uranium, Inc. Minerals Uranium
Address 310 Newhouse Building, Salt Lake City 11, 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								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core	1 ft.	60.00	20'	60.00	20'	3.00	2,520	2.50
[illegible] Honeycore	1 ft.	211.50	141'	211.50	141'	1.50	10,080	1.50
Auger								
Sinking-Field Asst.	mo.	1,050.00	1-1/2	1,050.00	1-1/2		6	450.00
Trenching Technical	day	2,188.14	15-1/2	2,188.14	15-1/2		20	50.00
Test Pits								
Roads and Trails	1 hr.	1,056.25	84-1/2	1,056.25	84-1/2	12.50	200	12.50
TOTAL DISTRIBUTED COSTS		4,565.89		4,565.89				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		4,565.89		4,565.89				$32,440.00

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.

REMARKS:

Date Nov. 28, 1955 Operator Marble Canyon Uranium, Inc.

Per J. D. Hemon Title General Manager

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)

M. H. Howes, Mining Engineer
JRW

INSTRUCTIONS

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

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

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

GPO 872894

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

RECEIVED
FEB - 9 1956

FINAL DISTRIBUTION
MADE FEB 7 1956

Administrative Audit Difference Statement

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

[illegible]

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

Amount Claimed	$[illegible]
Difference	$[illegible]
Amount Approved	$2,707.75

The reason for the difference was due to:

[illegible]

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

Very sincerely yours,

N. E. Stokes
Audit Section

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

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

RECEIVED
FEB - 9 1956

224 New Customhouse
Denver 2, Colorado

January 24, 1956

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region III

Subject: DMEA Docket 3612 (Uranium) Contract Idm-E816, Marble Canyon Uranium, Inc., Red Wing Claims, et al., Coconino County, Arizona - Operator's Monthly Progress Report, for the period September and October, 1955

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

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

Suspensions

Core Drilling

Amount claimed by Operator, 20 ft. @ $3.00/ft.- - -$60.00
Maximum allowed by contract, 20 ft. @ $2.50/ft.- - 50.00

Amount suspended- - - - - - - - - - - - - - - - -$10.00

Field Assistant

Amount claimed, 1 1/2 months at $700.00/mo.- - -$1,050.00
Contract allowance, 1 1/2 months at $450.00/mo.- 675.00

Amount suspended- - - - - - - - - - - - - - - - -$ 375.00

Technical (Supervising Consultant)

Amount claimed, 15 1/2 days @ $109.407/day- - -$2,188.14
Contract allowance, 15 1/2 days @ $50.00/day- - 775.00

Amount suspended- - - - - - - - - - - - - - -$1,413.14

Total suspensions for September-October, 1955- -$1,798.14

As this is the Operator's first report and voucher, the amounts suspended for this period are also the totals suspended to date.

Reconciliation with amount shown on Form MF-104

Amount claimed by Operator- - - - - - - - - - - $4,565.89
Amount suspended - - - - - - - - - - - - - - - - 1,798.14

Approved costs for September and October, 1955- $2,767.75
Government participation at 75 percent- - - - $2,075.81

Recommended payment to Operator- - - - - - $2,075.81

Remarks

Date of Report- - - - - - - - - - - - - - - November 28, 1955
Date Received in Field Office - - - - - - December 9, 1955
Date Received in Region Office- - - - - December 14, 1955
Reason For Delay: Held pending receipt of probing record.

W. M. TRAVER

W. M. Traver

Enclosures
JDC:jy
cc: MF-104 File E816
Sec. Op. Comm. (2)
Wilson
Townsend w/copy engr's. report
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 12, UTAH

BUREAU OF MINES
Denver, Colorado

December 12, 1955

RECEIVED
FEB - 9 1956

Memorandum

To: W. H. Trower, Executive Officer, DMEA Field Team, Region III

From: Stephen R. Wilson

Subject: Docket No. DMEA-3612 (Uranium), Contract Idm-2816, Marble Canyon Uranium, Inc., Coconino County, Arizona. MF-104 forms covering the period September and October 1955

The attached copies of the monthly report submitted by Marble Canyon Uranium, Inc., describe the exploration completed during September and October 1955. The project was started September 14, 1955. An inspection of the project site was made by M. H. Howes November 8, 1955.

The operator has reported a total of 141 feet of noncore drilling and 20 feet of core drilling for the period. Also, a total of 24-1/2 hours of bulldozer operation is reported on the MF-104 forms. The operator experienced difficulty in the initial drilling, and one hole was abandoned. The cost of this abandoned hole is not included on the MF-104 forms.

No mineralization of significance was encountered during the month. Work reported is in conformance with the contract. Recommendation is made that the operator be reimbursed by 75 percent of the maximum allowable costs for September and October 1955.

The inspecting engineer's progress memorandum includes a tabulation of items of cost, units of work, reported cost, maximum allowable cost, cost differences, and amounts of excess costs which are suspendable.

The operator's report was received in this office December 9, 1955.

Stephen R. Wilson
Stephen R. Wilson

Enclosure

cc: J. B. Clemmer

S. R. Wilson

December 7, 1955

RECEIVED
FEB - 9 1956

M. M. Meyer

Docket No. DMEA-3612 (Uranium), Contract IGm-2816, Marble Canyon Uranium, Inc., Coconino County, Arizona. Progress report for September and October 1955.

The Marble Canyon Uranium, Inc. property was inspected November 8, 1955, accompanied by J. D. Harman. Work on the project started September 14, 1955, and consisted of surveying drill-hole locations and construction of access roads to drill sites. Drilling started October 17, 1955. It is verified that 141 feet of measure and 20 feet of core drilling, for a total of 161 feet, and 84½ hours of bulldozer road construction (consisting of approximately 2,800 feet) as reported on form MF-104A, is correct, and that the work was performed in accordance with the contract.

Drill hole No. 1 was started near the center of the end line between Happy No. 2 and Red Wing No. 3 claims. The driller was not able to drill through the overburden and the hole was abandoned. Cost of this hole is not included on the MF-104 forms.

Drill hole No. 2 was started approximately 220 feet from the west end line and 90 feet from the south side line of Red Wing No. 3 claim, and was drilled a total distance of 397 feet. The hole encountered overburden from 0 to approximately 15 feet; the base of the upper Hartley sandstone (uranium-bearing sandstone member of the Chinle formation) at approximately 105 feet; the base of the lower Hartley sandstone (uranium-bearing sandstone member of the Chinle formation) at approximately 156 feet; the base of the Shinarump conglomerate at approximately 354 feet; and bottom in Moenkopi formation at 397 feet. Little or no uranium mineralization was encountered in this hole.

The contract allows drilling through the Hartley or potential ore-bearing sandstone. It is believed that drill hole No. 2 passed through this bed at 161 feet. The operator continued the hole at his own expense to a depth of 397 feet, to explore the underlying beds.

Costs in excess of contract maximum allowable amounts have been entered on forms MF-104 and MF-104A. The following table shows items of cost, units of work, reported costs, maximum allowable costs, and cost differences. It also shows amounts of excess costs, which are suspendable.

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FEB - 9 1956

Items of Cost	Units of Work	Reported Cost	Maximum Allowable Cost	Cost Difference
Independent contracts				
Core drilling	20 feet	$ 60.00	$ 50.00	$ 10.00*
Noncore drilling	141 feet	211.50	211.50	0.00
Reaming and casing	—	—	—	—
Personal services				
Supervising consultant	15½ days	2,188.14	775.00	1,413.14*
Field assistant	1½ months	1,050.00	675.00	375.00*
Bulldozer work	84½ hours	1,056.25	1,056.25	0.00
Radiometric probing and standby time	—	—	—	—
Chemical analyses	—	—	—	—
Total		$4,565.89	$2,767.75**	$1,798.14*

* Amount of excess costs, which are suspendable

** Maximum allowable cost for September and October 1955 — $2,767.75
Government participation at 75 percent ———————— 2,075.81

The accounts were checked and it is verified that all charges, as reported on form WF-104, were necessary. Excessive costs appear on the above table. The operator's narrative report and map are considered to be adequate.

It is recommended that the operator be reimbursed by $2,075.81, which is 75 percent of $2,767.75, the maximum allowable cost for September and October 1955.

M. H. Howes

M. H. Howes

RECEIVED
FEB 09 1956

November 28, 1955

Mr. S. R. Wilson
U. S. Bureau of Mines
1600 East First South
Salt Lake City 1, Utah

Re: DMEA 3612 (Uranium)
Marble Canyon Uranium, Inc.
(Red Wing Claims, et al)
Coconino County, Arizona

NARRATIVE REPORT

Dear Mr. Wilson:

We submit the following report on our progress for the months of September and October.

Time of Starting Work - September 14, 1955. The starting work consisted of surveying the locations of the drill sites and the building of roads to the drill sites.

Bulldozer Contractor - J. Warren Black, c/o Marble Canyon Lodge, via Cameron, Arizona.
After we had completed bulldozing the roads we found that the heavy machinery bogged down in the sand. It was then necessary for us to do extra work and surface the sand with shale. In addition it has been necessary to maintain a bulldozer as standby to pull the rig and heavy equipment to the new drill sites.

Supervising Consultant - Geologist - The staff of McCary-Beacom Co., 2155 East Seventh St., Los Angeles 23, California, headed by Phillip H. McCary, has been employed. The reason for this selection is that Mr. McCary has geologized the area for several years and has drilled many holes on his own ground, which information is very valuable to us in determining the geology on our drilling program.

Either Mr. McCary or one of his geologists has been at the property continuously keeping up the maps, locating the holes and securing the necessary information. (Enclosed see formation map, log of holes and other data). This work has been much more thorough and extensive than anticipated.

Field Assistant - A. L. Updyke, 24 E. McKinley, Phoenix, Arizona, was employed for this work at a cost of $150 a week plus expenses. Money paid to him to date is $1,050.00. We have dispensed with the services of Mr. Updyke. His work will be carried on by the assistant geologist of Phillip McCary.

Drilling Contractor - McClung Mining & Exploration Corporation, 5336 Glenwick Lane, Dallas 9, Texas.

Type Rig - New Model 1000 Mayhew Rotary heavy duty drilling rig, equipped to cut a 2-1/8" core.

COMPARATIVE FIGURES ON DRILLING COSTS

	DMEA Contract Price	Actual Drilling Cost
Non-core - Slump	$ 1.50	$ 1.75
Non-core - Dry	1.50	1.50
Non-core - Wet	1.50	2.00
Core	2.50	3.00

GENERAL REPORT ON HOLES DRILLED

On October 6, 1955 Phillip H. McCary, the geologist, completed a preliminary structural contour map of the Hartley. This map has been revised up to date. Enclosed find copies. This work proved that the Hartley was deeper than anticipated. After discussing this situation with the various government engineers and geologists we decided that we would drill from 5 to 8 deep test holes from the surface through the Shinarump to bottom in the Moenkopi. We have been informed in the field that the Government, according to the contract, will assume the cost to the base of the Hartley formation and our Company will assume the cost from the base of the Hartley down through the Shinarump into the Moenkopi.

Maps, Geology and Logging - done by Phillip H. McCary. See logs and maps enclosed.

Cuttings and Cores - Taken by A. L. Updyke; now available at the main camp, Marble Canyon Uranium, Inc., Paria Canyon, Arizona.

Probing - done with precision radiation instrument Hole Probe #120 owned by driller. Probing supervised by McCary and Updyke.

Drill Hole #1

Red Wing #3 claim
Started 10-17-55
Started hole four times. Couldn't get through slump zones. Pulled off hole 10-19-55.

Surface slump proved very difficult and costly to penetrate. Driller experimenting with ways to handle it.

This hole drilled at no cost to operator or Government because no objective reached.

Drill Hole #2

Red Wing #3 claim.
Started 10-19-55
Finished 10-28-55
Had much trouble with slump and water.
Depth to various zones.

Upper Hartley - unable to define, but around	105'
Lower Hartley - contact of base	156'
Trs - Trm contact - contact at	354'
Bottom -	397'

Plug bit	0' to 120'	
Cored	120' to 140'	Chinle
Cuttings every 2'	140' to 220'	Chinle
Cored	220' to 235'	Chinle
Cored	235' to 270'	Chinle
Cuttings every 2'	270' to 390'	Chinle and Moenkopi
Cored	390' to 397'	Moenkopi

In Drill Hole #2 because of the volume of water encountered the use of mud was necessary. Therefore, the cuttings, cores and probing in the zones of interest were indefinite. No assays have been made as yet.

Future Plans

It is the intention of the operator to drill several more deep holes to test the depth of the entire formation into the Moenkopi. After this determination, the balance of the holes will be drilled to the base of the Hartley as outlined in our exploration project contract.

We hope we have presented to you the necessary facts. We wish to thank the engineers and geologists of the Bureau of Mines, the U. S. Geological Survey and the Atomic Energy Commission for their helpful cooperation. We welcome any advice that will help us make a success out of our drilling program.

Yours truly,

MARBLE CANYON URANIUM, INC.

By: J. D. Herman
J. D. Herman
General Manager

JDH:fl
Encls.

10

EM
PHONE [redacted] 3-8819

FEB - 9 1956
DMEA
Date Rec'd.

Marble Canyon Uranium, Inc.

319 NEWHOUSE BUILDING
SALT LAKE CITY 1, UTAH

JAN 23 1956
BUREAU OF MINES
Denver, Colorado

January 15, 1956

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

Re: Docket DMEA-3612
Contract Idm-E816
Red Wing Claims et al.
Coconino County, Ariz.

Dear Mr. Traver:

A reply to your letter of Dec. 15, 1955 was delayed until I returned from an extended trip. We have now consulted with the drillers and geologists and find that all holes have been thoroughly logged geologically and probed radiometrically and that assay certificates will be submitted with subsequent monthly vouchers.

We wish to point out again that the objective under our government contract is the Hartley Formation, which is approximately 150 ft. to 300 ft., but on each drilling we have carried the holes down on our own to the second objective the shinarump formation. In our reports, for geological reasons, we are submitting the data on both objectives, however the vouchers to the government for payment will be concerned only with the Hartley Objective.

Regarding the radiometric probing of Hole No. 2 we find the log of this hole sent to you carried a notation on the bottom "Unable to probe hole". We meant that we were unable to probe the hole at the lower objective because of caving. The hole however was probed to the government contract depth of 161 ft. the Hartley Formation.

Inclosed find a new log sheet with complete information. We hope you can now process our September-October voucher for payment.

Yours truly,

A. D. Herman

A. D. Herman
General Manager
Marble Canyon Uranium Inc.

Sec. Op. Comm

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

NOV 18 1957

Mr. Adiel F. Stewart, President
Marble Canyon Uranium, Inc.
200 Newhouse Building
Salt Lake City 1, Utah

Re: Docket No. DMEA-3612 (Uranium)
Contract No. Lm-2816
Red Wing Claims et al.
Coconino County, Arizona

Dear Mr. Stewart:

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

We sincerely regret that the work performed did not result in a certification of discovery or development under the provisions of the contract. In the absence of such certification, the Government retains no claim or lien against the property subject to the contract or any future production therefrom. We, therefore, are closing our books and records on this project. Your attention, however, is called to the provisions of the contract which require the operator to keep and preserve certain records for the period indicated.

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

Sincerely yours,

C. O. Mittendorf

Administrator

MChing/ism 11-15-57
cc: Mr. Ching
Admr.'s Reading File
Contract Adm. & Audit Div.
DMEA FT Reg. 3 (2)

Government's Copy

TERMINATION AGREEMENT

It is agreed this 9th day of October, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Marble Canyon Uranium, Inc., hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-E816, Docket No. DMEA-3612, dated June 13, 1955, as amended, hereinafter called the "Contract," that:

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

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

3. All rights of the Government provided for in the Contract with respect to a certification of discovery or development and a percentage royalty and liens for its payment, and all rights of the Government with respect to records, audits, and recovery of any overpayment, are preserved.

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

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

THE UNITED STATES OF AMERICA

By E. N. Hawkinson
acting Executive Officer
DMEA Field Team, Region III

MARBLE CANYON URANIUM, INC.

By
~~Max Ingalls, President~~
Adiel F. Stewart

EM
PHONE 3-8819

Marble Canyon Uranium, Inc.

200
~~319~~ NEWHOUSE BUILDING
SALT LAKE CITY 11, UTAH

DMEA
DEPARTMENT OF THE INTERIOR
OCT 8 1956
REGION III
DENVER, COLORADO

October 3, 1956

U. S. Department of the Interior
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

Attention: Mr. W. M. Traver

Re: Docket No. DMEA 3612 (Uranium)
Contract No. Idm-E816
Marble Canyon Uranium, Inc.
(Red Wing claims et al.)
Coconino County, Arizona

Gentlemen:

Enclosed are several copies of "Termination Agreement" terminating the above contract. All copies have been executed according to your instructions of September 7th, and we understand that the "Operator's Copy" will be returned to us after execution by the DMEA.

Please note that Adiel F. Stewart is now president of Marble Canyon Uranium, Inc., and that our address is 200 Newhouse Building, Salt Lake City 11, Utah. We ask that you correct your records accordingly to insure proper and prompt delivery of your future correspondence with us.

Thank you for your attention to these matters.

Yours very truly,

M. F. Larsen

M. F. Larsen
Office Secretary

:mfl
Encls.

EXPLORATION PROJECT CONTRACT
MARBLE CANYON URANIUM, INC.
DOCKET NO. DMEA 3612
CONTRACT NO. IDM-E816

RECEIVED
FEB 6 1956

AMENDMENT NO. 1

It is agreed this 30th day of January, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government", and Marble Canyon Uranium, Inc., hereinafter called the "Operator," parties to that certain Exploration Project Contract No. Idm-E816, Docket No. DMEA 3612, dated June 13, 1955, hereinafter called the "Contract," that:

1. The time fixed for completion of the work is extended from February 1, 1956, to November 1, 1956.

2. The maximum period for royalty payments and lien for the payment thereof provided for in the Contract is increased to eleven years.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute, the fixed unit cost of any item of work, nor any item of allowable cost which is expressly designated "allowable maximum."

Executed in sextuplet the day and year first above written.

UNITED STATES OF AMERICA

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

MARBLE CANYON URANIUM, INC.

By Max Ingalls
Max Ingalls, President

(SEAL)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 12, UTAH

February 1, 1956

DMEA
Date Rec'd
FEB 2 1956
BUREAU OF MINES
Denver, Colorado

Memorandum

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

From: Stephen R. Wilson

Subject: Docket No. DMEA-3612 (Uranium), Contract Idm-E816, Marble Canyon Uranium, Inc., Coconino County, Arizona

Attached are nine copies of a memorandum prepared by M. H. Howes relative to a request submitted by the subject contractor to extend the contract period. Also attached are eight copies of the operator's letter dated January 20, 1956, the original of which is in your office.

The inspecting engineer has assumed that Stages II, III and IV will be accomplished on the project. He has therefore estimated a greater period than requested in the contractor's letter. It is recommended that the contract completion date be extended to November 1, 1956. I concur in this recommendation.

Stephen R. Wilson
Stephen R. Wilson

Enclosures

cc: J. B. Clemmer

S. R. Wilson February 1, 1956

M. H Howes

Docket No. DMEA-3612 (Uranium), Contract Idu-3816, Marble Canyon Uranium, Inc., Coconino County, Arizona. Recommendation to change contract completion date from February 1, 1956 to November 1, 1956

A letter, dated January 20, 1956, from J. D. Herman of Marble Canyon Uranium, Inc., requests that the contract completion date be changed from February 1, 1956 to April 1, 1956, for the following reasons:

1. Drilling objectives were deeper than estimated, requiring much more time to complete drilling.

2. A standby period is necessary to complete geological study, analysis, and mapping to determine further drilling.

In Stage I of the contract, holes drilled during November and December averaged over 200 feet in depth to reach through the lower potential ore-bearing sandstone of the Chinle formation. Subsequent Stage I holes will be deeper because of the rise of the surface to the north and the regional dip of the beds to the northwest. Since the start of the project, drilling speed has increased to 100 feet or more per day. It is estimated that Stage I drill holes will be finished within a short time after February 1, 1956, the contract completion date. Total drilling for Stages II, III, and IV is 10,600 feet. At the rate of 100 feet per day, it will require 106 working days or about 4½ months to complete the drilling. Allowing a time factor of double the actual drilling time because of anticipated delays, the project should be completed in an additional 9 months, or by November 1, 1956.

It is recommended that the contract completion date be changed from February 1, 1956, to November 1, 1956.

M. H. Howes

M. H. Howes

MARBLE CANYON URANIUM, INC.

319 Newhouse Building

Salt Lake City 1, Utah

FEB 3 1956

C
O
P
Y

Field Office
Marble Canyon, Ariz.
Jan. 20, 1956

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

Re: Docket DMEA-3612
Contract Idm-E816
Red Wing Claims, et al.,
Coconino County, Arizona

Dear Mr. Traver:

According to our contract, the completion date was set on February 1, 1956. We hereby request that the completion date be extended to April 1, 1956, for the following reasons:

1. Drilling objectives were deeper than estimated, requiring much more time to complete drilling.

2. A standby period is necessary to complete geological study, analysis and mapping to determine further drilling.

Yours truly

Marble Canyon Uranium
J. D. Herman
General Manager

/s/ J. D. Hermwn

DMEA Form 14

Contract No. Idm-E 816

Docket No. 3612

Terminated contract

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

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

Date of Contract	Region	State	Commodity
June 13, 1955	III	Arizona	Uranium

Name and Address of Operator: Marble Canyon Uranium, Inc.
587 - 11th Avenue
SaltkLake City 3, Utah

	Reserve	Obligation
Prior Amount	0	24,330.00
Increase	0	0
Decrease	0	17,699.25
Revised Amount	0	6,630.75

Remarks:

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

Date Delivered to Bureau of Mines, Washington 7/29/57

16416

Docket No. DMEA - 3612

Commodity Uranium

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

Contract No. Idm-E ~~816~~

Date of Contract ~~amendment~~ June 13, 1955

Name and Address of Operator:
Marble Canyon Uranium, Inc.
a Utah corporation
587 - 11th Ave.,
Salt Lake City 3. Utah

Amount of Government participation $ 24,330.00

Percent of Government participation 75 %

Region: 11 State: Arizona

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

(Title)

Date Delivered to Bureau of Mines, Washington. 6/13/55

54458

Government's copy

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SEP - 6 1955

MF-200
(Revised June 1954)

Docket No. DMEA - 3612

Commodity Uranium

Contract No. Idm-E 0816

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

EXPLORATION PROJECT CONTRACT[1]

It is agreed this 13th day of June, 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Marble Canyon Uranium, Inc., a Utah corporation,

whose mailing address is 587 - 11th Avenue
Salt Lake City 3, Utah,
hereinafter called the "Operator," as follows:

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

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

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

(b) The Operator represents and undertakes that:

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

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

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

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: ~~Performance Bond furnished in lieu of~~ Owner's Consent to Lien on State-owned land on Redwing Nos. 1, 2, 3, and 6 claims is waived.

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

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of uranium. The work to be performed is described in Exhibit "A." The Operator on or before September 15, 1955 shall commence the work, and on or before February 1, 1956 (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall either have completed the work or shall have incurred allowable costs (see Article 6) in a sum not less than the estimated total allowable cost set forth in Exhibit "A."

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

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

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

ARTICLE 5. *Contribution by the Government.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $32,440.00 The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $24,330.00: *Provided,* That until the Operator has rendered to the Government his final report, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last

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

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

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

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

CATEGORY (2)—PERSONAL SERVICES.

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

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

Subcategory (c)—Labor.

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

CATEGORY (4)—OPERATING EQUIPMENT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 13. *Changes and added provisions.*—

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

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O. Mitterdorf
Administrator, Defense Minerals
Exploration Administration

MARBLE CANYON URANIUM, INC.
(Operator)

By .....

.....

I, Parker L. Campbell, certify that I am the ..... secretary of the corporation named as Operator herein; that Mary J. Negalis 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.

Parker L. Campbell

[CORPORATE SEAL]

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

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EXPLORATION PROJECT CONTRACT
MARBLE CANYON URANIUM, INC.
DOCKET NO. DMEA-3612

ANNEX I

The land referred to in Article 2 of the contract consists of 43 unpatented lode mining claims situated in Sections 2 and 3, T. 40 N., R. 7 E., and Sections 34 and 35, T. 41 N., R. 7 E., Coconino County, Arizona. The claims are recorded at the office of the County Recorder as follows:

Name of Claims	Book	Page
Redwing No. 1	57	494
Redwing No. 2	57	495
Redwing No. 3	57	496
Redwing No. 4	57	497
Redwing No. 5	57	498
Redwing No. 6	57	499
Redwing No. 7	57	458
Redwing No. 8	57	459
Redwing No. 9	57	460
Redwing No. 10	57	461
Souvall No. 1	57	462
Souvall No. 2	57	463
Souvall No. 3	57	464
Souvall No. 4	57	465
Souvall No. 5	57	466
Souvall No. 6	58	92
Souvall No. 7	58	93
Happy No. 1	57	456
Happy No. 2	57	457
Leone No. 1	57	467
Leone No. 2	57	468
Leone No. 3	57	469
Lehnheer No. 1	58	86
Lehnheer No. 2	58	87
Lehnheer No. 3	57	477
Lehnheer No. 4	57	478
Marion No. 1	57	486
Marion No. 2	57	487
Marion No. 3	57	488
Marion No. 4	57	489
Marion No. 5	57	490

Name of Claims	Book	Page
Ingalls No. 1	52	597
Ingalls No. 2	52	598
Ingalls No. 3	52	599
Ingalls No. 4	52	600
Jeannie No. 1	53	2
Jeannie No. 2	53	3
Jeannie No. 3	53	4
Jeannie No. 4	53	5
Jeannie No. 5	53	6
Mary Y No. 1	53	14
Mary Y No. 2	53	15
Mary Y No. 3	53	16

Red Wing No. 1 and No. 2 claims are held under a State mining lease and Red Wing No. 3 and No. 6 claims are partially held under State mining lease and partially held through location. All other claims are held through location.

The claims are shown on map, Figure 2, and the location of the claims is shown on an index map, Figure 1.

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EXPLORATION PROJECT CONTRACT
MARBLE CANYON URANIUM, INC.
DOCKET NO. DMEA-3612

EXHIBIT "A"

Description of the Work

The work consists of exploration by noncore (plug-bit) and core drilling.

The drill holes shall test a potential ore-bearing sandstone unit which occurs about 150 feet above the base of the Chinle formation. It is anticipated that the average depth of the holes will be approximately 100 feet, of which an average of 20 feet is likely to be cored. The coring shall begin just above the potential ore-bearing sandstone unit and the holes shall be bottomed as soon as it is recognized that the drill has passed through this unit. All holes shall be BX in size except where maintenance of this size is impractical, in which case a minimum size of AX is allowable.

The required drilling is estimated at 12,600 feet, of which it is estimated that 2,520 feet will be core drilling and 10,080 feet noncore drilling. It is estimated that 1,500 feet of reaming and casing may be required. All drilling, reaming, and casing will be performed by independent contractor or contractors.

All drill core and all cuttings shall be saved and split, and one-half retained by the Operator for study or analysis and one-half properly stored for the use of the Government. The Operator's portion shall be checked radiometrically for uranium, and samples indicating significant mineralization shall be analyzed chemically for uranium and copper.

All drill holes shall be logged geologically and probed radiometrically, and the record of such logging and probing, together with certified copies of all assay certificates, shall be submitted with the Operator's monthly progress reports.

All holes shall be reamed and cased as necessary.

The work shall be done in four stages. If, in the opinion of the Government, the results of each preceding stage warrant further work the Operator shall perform that work outlined in each succeeding stage which the Government approves in writing in advance.

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

Stage I

The work under this stage consists of the preparation of access roads and drill sites by bulldozer and the drilling of 20 holes aggregating an estimated 2,000 feet, more or less, on a 400-foot grid pattern. The locations of Stage I holes are indicated by circled X's on the attached map, Figure 2. If the 20 holes require more than 2,000 feet of drilling to reach the desired horizon, the excess footage shall be deducted from Stage II.

Stage II

Stage II work consists of the preparation of drill sites by bulldozer and the drilling of a maximum of 50 holes aggregating not more than 5,000 feet, on a 200-foot grid pattern as indicated by X's on the attached map, Figure 2. Those Stage II holes which are in areas determined as unfavorable by Stage I work shall be eliminated.

Stage III

Stage III work consists of the preparation of drill sites by bulldozer and the drilling of a maximum of 28 holes aggregating not more than 2,800 feet as offsets to Stages I and II holes which show encouraging mineralization. The offset holes shall not be drilled closer than 50 feet to any previously drilled hole.

Stage IV

Stage IV work consists of the preparation of drill sites by bulldozer and the drilling of a maximum of 28 holes aggregating not more than 2,800 feet. These holes may be extensions of the 200-foot grid outlined under Stages I and II or 50-foot offsets around ore holes. The purpose of Stage IV drilling is to follow up or extend

definite ore trends, or further explore mineralized ground found under this or previous stages.

Estimated Costs of the Project

Actual Costs

Category (1) Independent Contracts		
2,520 feet core drilling @ $2.50/ft.	$ 6,300.00	
10,080 feet noncore drilling @ $1.50/ft.	15,120.00	
1,500 feet reaming and casing @ $1.75/ft.	2,625.00	$24,045.00
Category (2) Personal Services		
Supervising consultant - 30 days @ $50/day	1,500.00	
Field Assistant - 6 months @ $450/mo.	2,700.00	4,200.00
Categories (3) through (7) - None		
Estimated Total Actual Costs		$28,245.00

The Government will contribute to the requirements set forth below on the basis of the "Fixed Unit Costs" specified therefor, as these costs accrue, in lieu of actual costs. These costs include all costs of the project whatsoever except those costs scheduled above under Categories (1) and (2).

Fixed Unit Costs

200 hours bulldozer work @ $12.50/hr. (includes moving in and moving out time)	2,500.00

126 holes @ $10/hole for radiometric probing and stand-by costs	$ 1,260.00	
87 chemical sample analyses @ $5.00/sample	435.00	
Estimated Total Fixed Unit Costs		$ 4,195.00

S U M M A R Y

Estimated Total Actual Costs	$28,245.00
Estimated Total Fixed Unit Costs	4,195.00
Estimated Total Cost of Project	$32,440.00
Government Participation @ 75%	$24,330.00

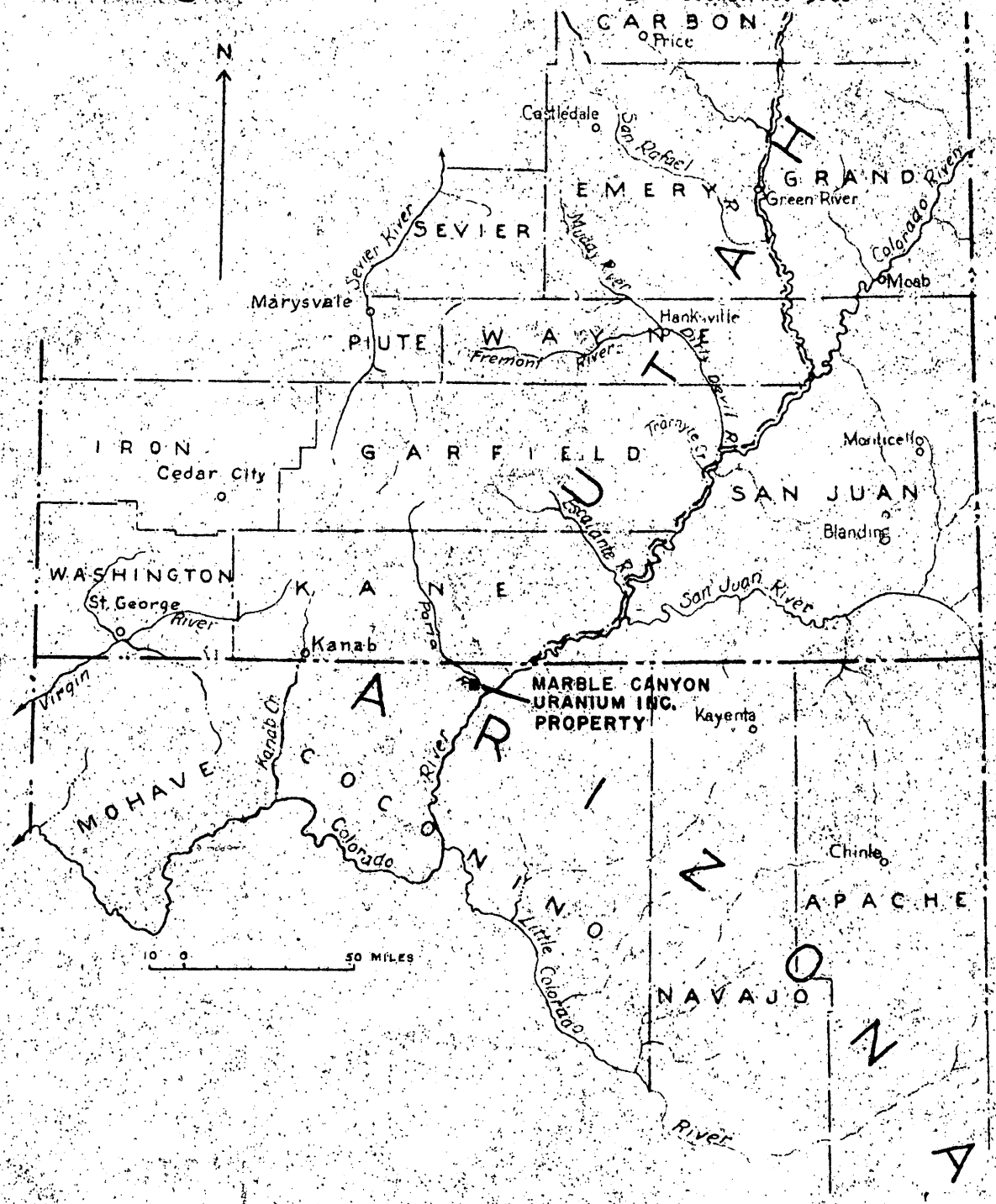

Figure 1. INDEX MAP OF PARTS OF ARIZONA AND URAH SHOWING LOCATION OF MARBLE CANYON URANIUM INC. PROPERTY COCONINO COUNTY, ARIZONA

UNITED STAT. DEPARTMENT OF THE INTERIC
GEOLOGICAL SURVEY

DEFENSE MINERALS EXPLORATION ADMINISTRATION
DOCKET NO. 3612

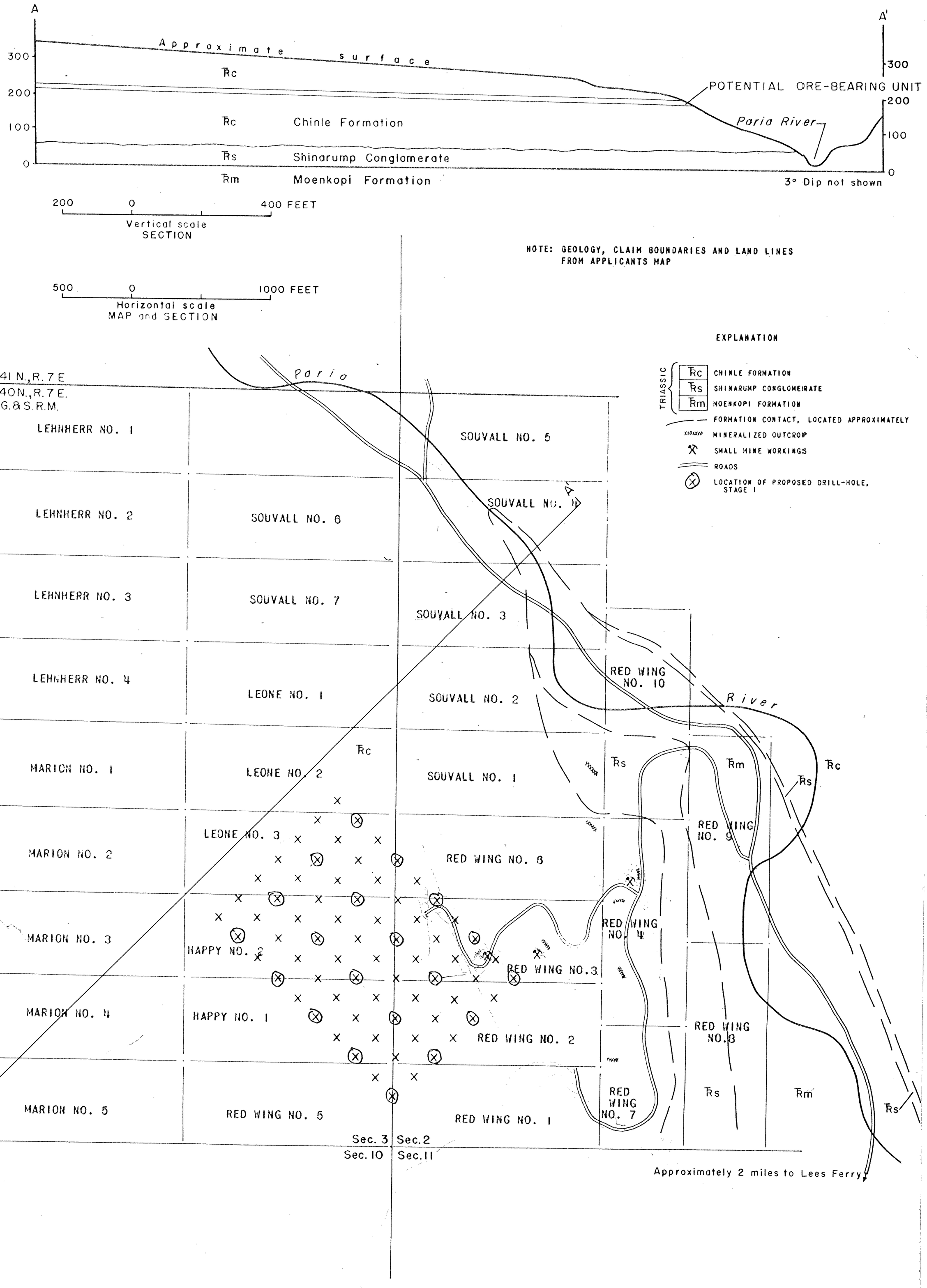

Figure 2. GEOLOGIC MAP SHOWING LOCATION OF PROPOSED DRILL HOLES ON THE RED WING CLAIMS
MARBLE CANYON URANIUM, INC.
COCONINO COUNTY, ARIZONA