Field Team copy

MF-200
(Revised June 1954)

Docket No. DMEA 4348

Commodity Mercury

Contract No. Idm-E 1069

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

## EXPLORATION PROJECT CONTRACT[1]

It is agreed this 20 MAR 1957 day of S, 195..., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Matthews Mining Company, a partnership comprised of Edward A. Matthews, Everett J. Matthews, Edward S. Matthews and James D. Matthews,

whose mailing address is 135 Vine Street, Hollister, California,

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 1 map

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 California, County of San Benito, 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: Interests of lessors in 4 claims

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

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Lien and Subordination Agreement of lessors of 4 claims

(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 Mercury. The work to be performed is described in Exhibit "A." The Operator on or before April 30-1957 shall commence the work, and on or before 3 mos. from date of Contract (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 $4476.00. The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $3357.00: *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

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 8.

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.)

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.

(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

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C O Mitchenor
Administrator, Defense Minerals
Exploration Administration

Matthews Mining Company

By ..... (xxxx) Partner

By ..... Partner

By ..... Partner

By ..... Partner

I, ....., certify that I am the ..... secretary of the corporation named as Operator herein; that ..... who signed this contract on behalf of the Operator, was then ..... of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

.....

[ CORPORATE SEAL ]

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

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.*—

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EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

## ANNEX I

The property referred to in Article 2 of the contract form consists of 20 unpatented lode claims located in Sections 3, 4, 5, 8, 9, and 10 of T 16 S; R 10 E MDBM, San Benito County, California. The Operator is the owner of 16 of these claims and lessee of 4, as indicated below. The location notices for these claims are recorded in the Recorder's Office at Hollister, San Benito County, California, at the Book and Page Numbers indicated.

| Name of Claim | Book | Page |
|---|---|---|
| West Clough #1 | 220 | 209 |
| West Clough #2 | 220 | 205 |
| West Clough #3 Y/ | 220 | 211 |
| West Clough #4 | 214 | 591 |
| East Clough #1 X/ | 220 | 207 |
| East Clough #2 X/ | 220 | 193 |
| East Clough #3 | 220 | 215 |
| East Clough #4 Y/ | 220 | 191 |
| East Clough #5 | 220 | 203 |
| East Clough #6 | 220 | 195 |
| East Clough #7 | 220 | 213 |
| East Clough #8 | 220 | 201 |
| North Canyon | 220 | 199 |
| Wild Goat | 222 | 109 |
| Juniper Flat | 220 | 197 |
| Rattler No. 1 | 214 | 501 |
| Rattler No. 2 | 214 | 503 |
| Rocky Peak | 214 | 593 |
| Rattler No. 3 | 214 | 405 |
| Rattler No. 4 | 222 | 107 |

X/ East Clough Nos. 1 and 2 are held under lease dated 1/2/57, from E. A. and Sarah C. Matthews, recorded in Vol. 229, Pages 528-532.

Y/ East Clough No. 4 and West Clough No. 3 are held under lease dated 5/19/56 from Aelred and Grace Matthews, and Ray and Evelyn Winterhalder, recorded in Vol. 229, Pages 524-527.

MF-205
(Combines and supercedes MF-20[illegible]nd MF-203)
June 1956

For Government's Use Only
EXPLOR[illegible]ON PROJECT CONTRACT
Operator_____
Docket No. DMEA-_____
Contract No. Idm-E_____
Contract Date_____

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of San Benito, State of California, described ~~as follows~~ in leases 2/ as follows:

Lease dated May 19, 1956 and recorded in Vol. 229, Page 524 to 527 inclusive, Official Records of San Benito County, and lease dated January 2, 1957, recorded in Vol. 229, Page 528 to 532 inclusive, Official Records of San Benito County,

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

NONE

NONE

NONE

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

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

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: none (State "None" or "See Annex No.____")

Dated this 20th day of February, 1957.

| | | | |
|---|---|---|---|
| E.A. Matthews | [Seal] | 5431 Southside Road Hollister, California | [Address] |
| Sarah C. Matthews | [Seal] | 5431 Southside Road Hollister, California | [Address] |
| C. Ray Winterhalder | [Seal] | 973 Terra Bella San Jose, California | [Address] |
| Evelyn T. Winterhalder | [Seal] | 973 Terra Bella San Jose, California | [Address] |
| Aelred M. Matthews | [Seal] | 320 KT Road Hollister, California | [Address] |
| Grace A. Matthews | [Seal] | 320 KT Road Hollister, California | [Address] |

I, _____ certify that I am the _____ (Secretary, etc.) of the corporation named herein; that _____ who signed this agreement was then _____ (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

_____
[Corporate Seal]

STATE OF CALIFORNIA }
COUNTY OF SAN BENITO. } ss.

On this 20th day of February, 1957, before me, JOHN T. LEWIS, a Notary Public in and for the County of San Benito, personally appeared E.A. MATTHEWS and SARAH C. MATTHEWS, his wife, C. RAY WINTERHALDER and EVELYN T. WINTERHALDER, his wife, and AELRED M. MATTHEWS and GRACE A. MATTHEWS, his wife, known to me to be the persons whose names are subscribed to the within instrument and they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year in this Certificate first above written.

John T. Lewis
Notary Public in and for the County of San Benito, State of California
My commission expires June 5, 1960

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

EXHIBIT "A"

Description of the Work

The approximate locations of the work are shown on the map entitled "Figure 3 El Cajon Mine, San Benito County, California," attached hereto and made a part hereof.

The work consists of the following:

1. Excavate three trenches having dimensions averaging approximately 200 feet long by 15 feet deep by 23 feet wide, beginning at the points and extending in the directions given:

No. 1 - From approximately 190' S 63° E of survey station G, S 40° W

No. 2 - From approximately 270' N 20° E of survey station G, N 72° W

No. 3 - From approximately 150' N 65° E of survey station G, S 47° W

The amount of excavation is expected to be approximately 7500 cubic yards.

2. Drill, blast, and clean bedrock to a depth of approximately 3 feet over a distance of 150 feet in each trench.

3. Sample all favorable mineralized zones in the trenches and analyze samples for mercury.

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

Estimated Costs of Project

Actual Costs

| | |
|---|---|
| Category (1) Independent Contracts | None |
| Category (2) Personal Services | |
| Subcategory (a) Supervision | |
| 1 Supervisor-Engineer @ $500.00/mo. 1 month | $ 500.00 |

| | | |
|---|---|---|
| Subcategory (b) Technical Services. | | |
| 1 Bulldozer Operator, 20 days @ $24.00 day | $ 480.00 | |
| Subcategory (c) Labor | | |
| 2 Miners, 25 days each @ $20.00/day | 1,000.00 | $1,980.00 |
| Category (3) Operating Materials and Supplies | | |
| Explosives (3 trenches @ $350.00/trench) | $1,050.00 | |
| Drill steel (3 trenches @ $75.00/trench) | 225.00 | |
| Fuel and lubricating oil for compressor, 25 days @ $2.50/day | 62.50 | |
| Fuel and lubricating oil for bulldozer, 20 days @ $6.00/day | 120.00 | $1,457.50 |
| Category (4) Operating Equipment | | |
| Subcategories (a) and (b) Rental and Purchase | None | |
| Subcategory (c) Depreciation | | |
| 1 Compressor, 1 month @ $100.00/mo. (based on value of $6,000) | $ 100.00 | |
| 1 Jackhammer, 1 month @ $8.00/mo. (based on value of $480.00) | 8.00 | |
| 1 Bulldozer, 1 month @ $175.00/mo. (based on value of $10,500 for HD-7) | 175.00 | $ 283.00 |
| Category (5) Initial Rehabilitation and Repairs | None | |
| Category (6) New Buildings, Fixtures and Installations | None | |
| Category (7) Miscellaneous | | |
| Payroll Taxes, liability insurance | $ 280.50 | |
| Analyses 50 samples @ $3.00/sample | 150.00 | |
| Maintenance and Repair of bulldozer | 200.00 | |
| Maintenance and Repair of compressor and jackhammer | 125.00 | $ 755.50 |
| Estimated Total Cost of Project | | $4,476.00 |
| Government participation at 75 percent | | $~~3,357.00~~ |

Audit copy

MF-200
(Revised June 1954)

Docket No. DMEA 6348

Commodity Mercury

Contract No. Idm-E 1069

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

## EXPLORATION PROJECT CONTRACT[1]

It is agreed this 20 MAR 1957 day of ....., 195..., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Matthews Mining Company, a partnership comprised of Edward A. Matthews, Everett J. Matthews, Edward S. Matthews and James D. Matthews,

whose mailing address is 135 Vine Street, Hollister, California,

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 1 Exp

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 California, County of San Benito, 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: Interests of lessors and claims

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

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Alien and Subordination Agreement of Lessors of 4 claims

(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 Mercury. The work to be performed is described in Exhibit "A." The Operator on or before April 30-1957 shall commence the work, and on or before 3 mos. from date of Contract (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 $4476.00. The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $3357.00: *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 9.8.

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.*—

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Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

Matthews Mining Company

By C. Mitchenor
Administrator, Defense Minerals
Exploration Administration

By ..... (XXXX) Partner

By ..... Partner

By ..... Partner

By ..... Partner

I, ....., certify that I am the ..... secretary of the corporation named as Operator herein; that ..... who signed this contract on behalf of the Operator, was then ..... of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

.....

[ CORPORATE SEAL ]

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

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

ANNEX I

The property referred to in Article 2 of the contract form consists of 20 unpatented lode claims located in Sections 3, 4, 5, 8, 9, and 10 of T 16 S; R 10 E MDBM, San Benito County, California. The Operator is the owner of 16 of these claims and lessee of 4, as indicated below. The location notices for these claims are recorded in the Recorder's Office at Hollister, San Benito County, California, at the Book and Page Numbers indicated.

| Name of Claim | Book | Page |
|---|---|---|
| West Clough #1 | 220 | 209 |
| West Clough #2 | 220 | 205 |
| West Clough #3 Y/ | 220 | 211 |
| West Clough #4 | 214 | 591 |
| East Clough #1 X/ | 220 | 207 |
| East Clough #2 X/ | 220 | 193 |
| East Clough #3 | 220 | 215 |
| East Clough #4 Y/ | 220 | 191 |
| East Clough #5 | 220 | 203 |
| East Clough #6 | 220 | 195 |
| East Clough #7 | 220 | 213 |
| East Clough #8 | 220 | 201 |
| North Canyon | 220 | 199 |
| Wild Goat | 222 | 109 |
| Juniper Flat | 220 | 197 |
| Rattler No. 1 | 214 | 501 |
| Rattler No. 2 | 214 | 503 |
| Rocky Peak | 214 | 593 |
| Rattler No. 3 | 214 | 405 |
| Rattler No. 4 | 222 | 107 |

X/ East Clough Nos. 1 and 2 are held under lease dated 1/2/57, from E. A. and Sarah C. Matthews, recorded in Vol. 229, Pages 528-532.

Y/ East Clough No. 4 and West Clough No. 3 are held under lease dated 5/19/56 from Aelred and Grace Matthews, and Ray and Evelyn Winterhalder, recorded in Vol. 229, Pages 524-527.

MF-205
(Combines and supercedes MF-201 and MF-203)
June 1956

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator _____
Docket No. DMEA- _____
Contract No. Idm-E _____
Contract Date _____

RECEIVED FEB 25 1957 D.M.E.A.

# CONSENT TO LIEN and SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of San Benito, State of California, described ~~as follows:~~ in leases 2/ as follows:

Lease dated May 19, 1956 and recorded in Vol. 229, Page 524 to 527 inclusive, Official Records of San Benito County, and lease dated January 2, 1957, recorded in Vol. 229, Page 528 to 532 inclusive, Official Records of San Benito County,

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

NONE

NONE

NONE

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

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

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: none (State "None" or "See Annex No.____")

Dated this 20th day of February, 1957.

| | | | |
|---|---|---|---|
| E.A. Matthews | [Seal] | 5431 Southside Road<br>Hollister, California | [Address] |
| Sarah C. Matthews | [Seal] | 5431 Southside Road<br>Hollister, California | [Address] |
| C. Ray Winterhalder | [Seal] | 973 Terra Bella<br>San Jose, California | [Address] |
| Evelyn T. Winterhalder | [Seal] | 973 Terra Bella<br>San Jose, California | [Address] |
| Aelred M. Matthews | [Seal] | 320 KT Road<br>Hollister, California | [Address] |
| Grace A. Matthews | [Seal] | 320 KT Road<br>Hollister, California | [Address] |

I, _____ certify that I am the _____ _____ (Secretary, etc.) of the corporation named herein; that _____ _____ who signed this agreement was then _____ (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

_____

[Corporate Seal]

STATE OF CALIFORNIA, }
COUNTY OF SAN BENITO. } ss.

On this 20th day of February, 1957, before me, JOHN T. LEWIS, a Notary Public in and for the County of San Benito, personally appeared E.A. MATTHEWS and SARAH C. MATTHEWS, his wife, C. RAY WINTERHALDER and EVELYN T. WINTERHALDER, his wife, and AELRED M. MATTHEWS and GRACE A. MATTHEWS, his wife, known to me to be the persons whose names are subscribed to the within instrument and they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year in this Certificate first above written.

John T. Lewis

Notary Public in and for the County of San Benito, State of California.
My commission expires June 5, 1960

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

EXHIBIT "A"

Description of the Work

The approximate locations of the work are shown on the map entitled "Figure 3 El Cajon Mine, San Benito County, California," attached hereto and made a part hereof.

The work consists of the following:

1. Excavate three trenches having dimensions averaging approximately 200 feet long by 15 feet deep by 23 feet wide, beginning at the points and extending in the directions given:

No. 1 - From approximately 190' S 63° E of survey station G, S 40° W

No. 2 - From approximately 270' N 20° E of survey station G, N 72° W

No. 3 - From approximately 150' N 65° E of survey station G, S 47° W

The amount of excavation is expected to be approximately 7500 cubic yards.

2. Drill, blast, and clean bedrock to a depth of approximately 3 feet over a distance of 150 feet in each trench.

3. Sample all favorable mineralized zones in the trenches and analyze samples for mercury.

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

Estimated Costs of Project

Actual Costs

| | |
|---|---|
| Category (1) Independent Contracts | None |
| Category (2) Personal Services | |
| Subcategory (a) Supervision | |
| 1 Supervisor-Engineer @ $500.00/mo.<br>1 month | $ 500.00 |

| | | |
|---|---|---|
| Subcategory (b) Technical Services. | | |
| 1 Bulldozer Operator, 20 days @ $24.00/day | $ 480.00 | |
| Subcategory (c) Labor | | |
| 2 Miners, 25 days each @ $20.00/day | 1,000.00 | $1,980.00 |
| Category (3) Operating Materials and Supplies | | |
| Explosives (3 trenches @ $350.00/trench) | $1,050.00 | |
| Drill steel (3 trenches @ $75.00/trench) | 225.00 | |
| Fuel and lubricating oil for compressor, 25 days @ $2.50/day | 62.50 | |
| Fuel and lubricating oil for bulldozer, 20 days @ $6.00/day | 120.00 | $1,457.50 |
| Category (4) Operating Equipment | | |
| Subcategories (a) and (b) Rental and Purchase | None | |
| Subcategory (c) Depreciation | | |
| 1 Compressor, 1 month @ $100.00/mo. (based on value of $6,000) | $ 100.00 | |
| 1 Jackhammer, 1 month @ $8.00/mo. (based on value of $480.00) | 8.00 | |
| 1 Bulldozer, 1 month @ $175.00/mo. (based on value of $10,500 for HD-7) | 175.00 | $ 283.00 |
| Category (5) Initial Rehabilitation and Repairs | None | |
| Category (6) New Buildings, Fixtures and Installations | None | |
| Category (7) Miscellaneous | | |
| Payroll Taxes, liability insurance | $ 280.50 | |
| Analyses 50 samples @ $3.00/sample | 150.00 | |
| Maintenance and Repair of bulldozer | 200.00 | |
| Maintenance and Repair of compressor and jackhammer | 125.00 | $ 755.50 |
| Estimated Total Cost of Project | | $4,476.00 |
| Government participation at 75 percent | | $3,357.00 |

Finance Office copy

MF-200
(Revised June 1954)

Docket No. DMEA 4349

Commodity Mercury

Contract No. Idm-E 1069

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

## EXPLORATION PROJECT CONTRACT[1]

It is agreed this 20 MAR 1957 day of ....., 195...., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] Matthews Mining Company, a partnership comprised of Edward A. Matthews, Everett J. Matthews, Edward S. Matthews and James D. Matthews,

whose mailing address is 135 Vine Street, Hollister, California,

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 1 map

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 California, County of San Benito, 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: Interests of lessors in 4 claims

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

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Lien and Subordination Agreement of Lessors of 4 claims

(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 Mercury The work to be performed is described in Exhibit "A." The Operator on or before April 30 - 1957 shall commence the work, and on or before 3 mos. from date of Contract (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 $ 4476.00 The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $3357.00 : *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 8.

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

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

Matthews Mining Company

By C. J. Mitteudorf
Administrator, Defense Minerals
Exploration Administration

By ..... (xxxx) Partner

By ..... Partner

By ..... Partner

By ..... Partner

I, ....., certify that I am the ..... secretary of the corporation named as Operator herein; that ..... who signed this contract on behalf of the Operator, was then ..... of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

.....

[ CORPORATE SEAL ]

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

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.*—

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EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

ANNEX I

The property referred to in Article 2 of the contract form consists of 20 unpatented lode claims located in Sections 3, 4, 5, 8, 9, and 10 of T 16 S; R 10 E MDBM, San Benito County, California. The Operator is the owner of 16 of these claims and lessee of 4, as indicated below. The location notices for these claims are recorded in the Recorder's Office at Hollister, San Benito County, California, at the Book and Page Numbers indicated.

| Name of Claim | Book | Page |
|---|---|---|
| West Clough #1 | 220 | 209 |
| West Clough #2 | 220 | 205 |
| West Clough #3 Y/ | 220 | 211 |
| West Clough #4 | 214 | 591 |
| East Clough #1 X/ | 220 | 207 |
| East Clough #2 X/ | 220 | 193 |
| East Clough #3 | 220 | 215 |
| East Clough #4 Y/ | 220 | 191 |
| East Clough #5 | 220 | 203 |
| East Clough #6 | 220 | 195 |
| East Clough #7 | 220 | 213 |
| East Clough #8 | 220 | 201 |
| North Canyon | 220 | 199 |
| Wild Goat | 222 | 109 |
| Juniper Flat | 220 | 197 |
| Rattler No. 1 | 214 | 501 |
| Rattler No. 2 | 214 | 503 |
| Rocky Peak | 214 | 593 |
| Rattler No. 3 | 214 | 405 |
| Rattler No. 4 | 222 | 107 |

X/ East Clough Nos. 1 and 2 are held under lease dated 1/2/57, from E. A. and Sarah C. Matthews, recorded in Vol. 229, Pages 528-532.

Y/ East Clough No. 4 and West Clough No. 3 are held under lease dated 5/19/56 from Aelred and Grace Matthews, and Ray and Evelyn Winterhalder, recorded in Vol. 229, Pages 524-527.

MF-205
(Combines and supercedes MF-20[illegible] and MF-203)
June 1956

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

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of San Benito, State of California, described ~~as follows~~ in leases: 2/ as follows:

Lease dated May 19, 1956 and recorded in Vol. 229, Page 524 to 527 inclusive, Official Records of San Benito County, and lease dated January 2, 1957, recorded in Vol. 229, Page 528 to 532 inclusive, Official Records of San Benito County,

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

NONE

NONE

NONE

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

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

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: none (State "None" or "See Annex No.____")

Dated this 20th day of February, 1957.

| | | | |
|---|---|---|---|
| E.A. Matthews | [Seal] | 5431 Southside Road<br>Hollister, California | [Address] |
| Sarah C. Matthews | [Seal] | 5431 Southside Road<br>Hollister, California | [Address] |
| C. Ray Winterhalder | [Seal] | 973 Terra Bella<br>San Jose, California | [Address] |
| Evelyn T. Winterhalder | [Seal] | 973 Terra Bella<br>San Jose, California | [Address] |
| Aelred M. Matthews | [Seal] | 320 KT Road<br>Hollister, California | [Address] |
| Grace A. Matthews | [Seal] | 320 KT Road<br>Hollister, California | [Address] |

I, _____ certify that I am the _____ _____ (Secretary, etc.) of the corporation named herein; that _____ _____ who signed this agreement was then _____ (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

_____

[Corporate Seal]

STATE OF CALIFORNIA }
COUNTY OF SAN BENITO. } ss.

On this 20th day of February, 1957, before me, JOHN T. LEWIS, a Notary Public in and for the County of San Benito, personally appeared E.A. MATTHEWS and SARAH C. MATTHEWS, his wife, C. RAY WINTERHALDER and EVELYN T. WINTERHALDER, his wife, and AELRED M. MATTHEWS and GRACE A. MATTHEWS, his wife, known to me to be the persons whose names are subscribed to the within instrument and they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year in this Certificate first above written.

John T. Lewis

Notary Public in and for the County of San Benito, State of California
My commission expires June 5, 1960

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

EXHIBIT "A"

Description of the Work

The approximate locations of the work are shown on the map entitled "Figure 3 El Cajon Mine, San Benito County, California," attached hereto and made a part hereof.

The work consists of the following:

1. Excavate three trenches having dimensions averaging approximately 200 feet long by 15 feet deep by 23 feet wide, beginning at the points and extending in the directions given:

No. 1 - From approximately 190' S 63° E of survey station G, S 40° W

No. 2 - From approximately 270' N 20° E of survey station G, N 72° W

No. 3 - From approximately 150' N 65° E of survey station G, S 47° W

The amount of excavation is expected to be approximately 7500 cubic yards.

2. Drill, blast, and clean bedrock to a depth of approximately 3 feet over a distance of 150 feet in each trench.

3. Sample all favorable mineralized zones in the trenches and analyze samples for mercury.

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

Estimated Costs of Project

Actual Costs

| | |
|---|---|
| Category (1) Independent Contracts | None |
| Category (2) Personal Services | |
| Subcategory (a) Supervision | |
| 1 Supervisor-Engineer @ $500.00/mo. 1 month | $ 500.00 |

| | | |
|---|---|---|
| Subcategory (b) Technical Services. | | |
| 1 Bulldozer Operator, 20 days @ $24.00/day | $ 480.00 | |
| Subcategory (c) Labor | | |
| 2 Miners, 25 days each @ $20.00/day | 1,000.00 | $1,980.00 |
| Category (3) Operating Materials and Supplies | | |
| Explosives (3 trenches @ $350.00/trench) | $1,050.00 | |
| Drill steel (3 trenches @ $75.00/trench) | 225.00 | |
| Fuel and lubricating oil for compressor, 25 days @ $2.50/day | 62.50 | |
| Fuel and lubricating oil for bulldozer, 20 days @ $6.00/day | 120.00 | $1,457.50 |
| Category (4) Operating Equipment | | |
| Subcategories (a) and (b) Rental and Purchase | None | |
| Subcategory (c) Depreciation | | |
| 1 Compressor, 1 month @ $100.00/mo. (based on value of $6,000) | $ 100.00 | |
| 1 Jackhammer, 1 month @ $8.00/mo. (based on value of $480.00) | 8.00 | |
| 1 Bulldozer, 1 month @ $175.00/mo. (based on value of $10,500 for HD-7) | 175.00 | $ 283.00 |
| Category (5) Initial Rehabilitation and Repairs | None | |
| Category (6) New Buildings, Fixtures and Installations | None | |
| Category (7) Miscellaneous | | |
| Payroll Taxes, liability insurance | $ 280.50 | |
| Analyses 50 samples @ $3.00/sample | 150.00 | |
| Maintenance and Repair of bulldozer | 200.00 | |
| Maintenance and Repair of compressor and jackhammer | 125.00 | $ 755.50 |
| Estimated Total Cost of Project | | $4,476.00 |
| Government participation at 75 percent | | $3,357.00 |

Division copy

MF-200
(Revised June 1954)

Docket No. DMEA 4380

Commodity Mercury

Contract No. Idm-E1069

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

## EXPLORATION PROJECT CONTRACT[1]

It is agreed this 20 MAR 1957 day of ....., 195...., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Matthews Mining Company, a partnership comprised of Edward A. Matthews, Everett J. Matthews, Edward S. Matthews and James D. Matthews,

whose mailing address is 135 Vine Street, Hollister, California,

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 1 map

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 California, County of San Benito, 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: Interests of lessors in claims

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

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Men and Subordination Agreement of lessors of 4 claims

(f) 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 Mercury The work to be performed is described in Exhibit "A." The Operator on or before April 30, 1957 shall commence the work, and on or before 2 mos. from date of Contract (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 $4476.00 The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $3357.00: *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 8.

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.*—

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Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

Matthews Mining Company By C O Mittendorf
Administrator, Defense Minerals
Exploration Administration

By ..... (XXXX) Partner

By ..... Partner

By ..... Partner

By ..... Partner

I, ....., certify that I am the ..... secretary of the corporation named as Operator herein; that ..... who signed this contract on behalf of the Operator, was then ..... of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

.....

[ CORPORATE SEAL ]

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

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

## ANNEX I

The property referred to in Article 2 of the contract form consists of 20 unpatented lode claims located in Sections 3, 4, 5, 8, 9, and 10 of T 16 S; R 10 E MDBM, San Benito County California. The Operator is the owner of 16 of these claims and lessee of 4, as indicated below. The location notices for these claims are recorded in the Recorder's Office at Hollister, San Benito County, California, at the Book and Page Numbers indicated.

| Name of Claim | Book | Page |
|---|---|---|
| West Clough #1 | 220 | 209 |
| West Clough #2 | 220 | 205 |
| West Clough #3 Y/ | 220 | 211 |
| West Clough #4 | 214 | 591 |
| East Clough #1 X/ | 220 | 207 |
| East Clough #2 X/ | 220 | 193 |
| East Clough #3 | 220 | 215 |
| East Clough #4 Y/ | 220 | 191 |
| East Clough #5 | 220 | 203 |
| East Clough #6 | 220 | 195 |
| East Clough #7 | 220 | 213 |
| East Clough #8 | 220 | 201 |
| North Canyon | 220 | 199 |
| Wild Goat | 222 | 109 |
| Juniper Flat | 220 | 197 |
| Rattler No. 1 | 214 | 501 |
| Rattler No. 2 | 214 | 503 |
| Rocky Peak | 214 | 593 |
| Rattler No. 3 | 214 | 405 |
| Rattler No. 4 | 222 | 107 |

X/ East Clough Nos. 1 and 2 are held under lease dated 1/2/57, from E. A. and Sarah C. Matthews, recorded in Vol. 229, Pages 528-532.

Y/ East Clough No. 4 and West Clough No. 3 are held under lease dated 5/19/56 from Aelred and Grace Matthews, and Ray and Evelyn Winterhalder, recorded in Vol. 229, Pages 524-527.

MF-205
(Combines and supercedes MF-20[illegible] and MF-203)
June 1956

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator
Docket No. DMEA-
Contract No. Idm-E
Contract Date

RECEIVED FEB 25 1957 D.M.E.A.

CONSENT TO LIEN

SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of San Benito, State of California, described ~~XXXXXXXX~~ in leases 2/ as follows:

Lease dated May 19, 1956 and recorded in Vol. 229, Page 524 to 527 inclusive, Official Records of San Benito County, and lease dated January 2, 1957, recorded in Vol. 229, Page 528 to 532 inclusive, Official Records of San Benito County,

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

NONE

NONE

NONE

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

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

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: none (State "None" or "See Annex No.____")

Dated this 20th day of February, 1957.

| | | | |
|---|---|---|---|
| E.A. Matthews | [Seal] | 5431 Southside Road Hollister, California | [Address] |
| Sarah C. Matthews | [Seal] | 5431 Southside Road Hollister, California | [Address] |
| C. Ray Winterhalder | [Seal] | 973 Terra Bella San Jose, California | [Address] |
| Evelyn T. Winterhalder | [Seal] | 973 Terra Bella San Jose, California | [Address] |
| Aelred M. Matthews | [Seal] | 320 KT Road Hollister, California | [Address] |
| Grace A. Matthews | [Seal] | 320 KT Road Hollister, California | [Address] |

I, _____ certify that I am the _____ _____ (Secretary, etc.) of the corporation named herein; that _____ _____ who signed this agreement was then _____ (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

[Corporate Seal]

STATE OF CALIFORNIA }
} ss.
COUNTY OF SAN BENITO. }

On this 20th day of February, 1957, before me, JOHN T. LEWIS, a Notary Public in and for the County of San Benito, personally appeared E.A. MATTHEWS and SARAH C. MATTHEWS, his wife, C. RAY WINTERHALDER and EVELYN T. WINTERHALDER, his wife, and AELRED M. MATTHEWS and GRACE A. MATTHEWS, his wife, known to me to be the persons whose names are subscribed to the within instrument and they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year in this Certificate first above written.

John T. Lewis
Notary Public in and for the County of San Benito, State of California
My commission expires June 5, 1960

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

EXHIBIT "A"

Description of the Work

The approximate locations of the work are shown on the map entitled "Figure 3 El Cajon Mine, San Benito County, California," attached hereto and made a part hereof.

The work consists of the following:

1. Excavate three trenches having dimensions averaging approximately 200 feet long by 15 feet deep by 23 feet wide, beginning at the points and extending in the directions given:

No. 1 - From approximately 190' S 63° E of survey station G, S 40° W

No. 2 - From approximately 270' N 20° E of survey station G, N 72° W

No. 3 - From approximately 150' N 65° E of survey station G, S 47° W

The amount of excavation is expected to be approximately 7500 cubic yards.

2. Drill, blast, and clean bedrock to a depth of approximately 3 feet over a distance of 150 feet in each trench.

3. Sample all favorable mineralized zones in the trenches and analyze samples for mercury.

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

Estimated Costs of Project

Actual Costs

| | |
|---|---|
| Category (1) Independent Contracts | None |
| Category (2) Personal Services | |
| Subcategory (a) Supervision | |
| 1 Supervisor-Engineer @ $500.00/mo.<br>1 month | $ 500.00 |

| | | |
|---|---|---|
| Subcategory (b) Technical Services. | | |
| 1 Bulldozer Operator, 20 days @ $24.00/day | $ 480.00 | |
| Subcategory (c) Labor | | |
| 2 Miners, 25 days each @ $20.00/day | 1,000.00 | $1,980.00 |
| Category (3) Operating Materials and Supplies | | |
| Explosives (3 trenches @ $350.00/trench) | $1,050.00 | |
| Drill steel (3 trenches @ $75.00/trench) | 225.00 | |
| Fuel and lubricating oil for compressor, 25 days @ $2.50/day | 62.50 | |
| Fuel and lubricating oil for bulldozer, 20 days @ $6.00/day | 120.00 | $1,457.50 |
| Category (4) Operating Equipment | | |
| Subcategories (a) and (b) Rental and Purchase | None | |
| Subcategory (c) Depreciation | | |
| 1 Compressor, 1 month @ $100.00/mo. (based on value of $6,000) | $ 100.00 | |
| 1 Jackhammer, 1 month @ $8.00/mo. (based on value of $480.00) | 8.00 | |
| 1 Bulldozer, 1 month @ $175.00/mo. (based on value of $10,500 for HD-7) | 175.00 | $ 283.00 |
| Category (5) Initial Rehabilitation and Repairs | None | |
| Category (6) New Buildings, Fixtures and Installations | None | |
| Category (7) Miscellaneous | | |
| Payroll Taxes, liability insurance | $ 280.50 | |
| Analyses 50 samples @ $3.00/sample | 150.00 | |
| Maintenance and Repair of bulldozer | 200.00 | |
| Maintenance and Repair of compressor and jackhammer | 125.00 | $ 755.50 |
| Estimated Total Cost of Project | | $4,476.00 |
| Government participation at 75 percent | | $~~3,357.00~~ |

Operator's copy

MF-200
(Revised June 1954)

Docket No. DMEA 4348

Commodity Mercury

Contract No. Idm-1069

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

## EXPLORATION PROJECT CONTRACT[1]

It is agreed this 20 MAR 1957 day of ....., 195...., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] Matthews Mining Company, a partnership comprised of Edward A. Matthews, Everett J. Matthews, Edward S. Matthews and James D. Matthews, whose mailing address is 135 Vine Street, Hollister, California, 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 1 map.

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 California, County of San Benito, 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: Interests of lessors in 4 claims

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

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Lien and Subordination Agreement of lessors of 4 claims

(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 Mercury. The work to be performed is described in Exhibit "A." The Operator on or before April 30, 1957 shall commence the work, and on or before 3 mos. from date of Contract (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 $4476.00. The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $3357.00: *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 ~~7~~ 8.

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.*—

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Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

Matthews Mining Company

By O. Mitchell Dow
Administrator, Defense Minerals
Exploration Administration

By ..... (XXXX) Partner

By ..... Partner

By ..... Partner

By ..... Partner

I, ....., certify that I am the ..... secretary of the corporation named as Operator herein; that ..... who signed this contract on behalf of the Operator, was then ..... of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

.....

[ CORPORATE SEAL ]

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

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

## ANNEX I

The property referred to in Article 2 of the contract form consists of 20 unpatented lode claims located in Sections 3, 4, 5, 8, 9, and 10 of T 16 S; R 10 E MDBM, San Benito County California. The Operator is the owner of 16 of these claims and lessee of 4, as indicated below. The location notices for these claims are recorded in the Recorder's Office at Hollister, San Benito,County, California, at the Book and Page Numbers indicated.

| Name of Claim | Book | Page |
|---|---|---|
| West Clough #1 | 220 | 209 |
| West Clough #2 | 220 | 205 |
| West Clough #3 Y/ | 220 | 211 |
| West Clough #4 | 214 | 591 |
| East Clough #1 X/ | 220 | 207 |
| East Clough #2 X/ | 220 | 193 |
| East Clough #3 | 220 | 215 |
| East Clough #4 Y/ | 220 | 191 |
| East Clough #5 | 220 | 203 |
| East Clough #6 | 220 | 195 |
| East Clough #7 | 220 | 213 |
| East Clough #8 | 220 | 201 |
| North Canyon | 220 | 199 |
| Wild Goat | 222 | 109 |
| Juniper Flat | 220 | 197 |
| Rattler No. 1 | 214 | 501 |
| Rattler No. 2 | 214 | 503 |
| Rocky Peak | 214 | 593 |
| Rattler No. 3 | 214 | 405 |
| Rattler No. 4 | 222 | 107 |

X/ East Clough Nos. 1 and 2 are held under lease dated 1/2/57, from E. A. and Sarah C. Matthews, recorded in Vol. 229, Pages 528-532.

Y/ East Clough No. 4 and West Clough No. 3 are held under lease dated 5/19/56 from Aelred and Grace Matthews, and Ray and Evelyn Winterhalder, recorded in Vol. 229, Pages 524-527.

MF-205
(Combines and supercedes MF-202 and MF-203)
June 1956

RECEIVED FEB 25 1957 D.M.E.A.

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator
Docket No. DMEA-
Contract No. Idm-E
Contract Date

# CONSENT TO LIEN and SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of San Benito, State of California, described ~~xxxxxxxx2/~~ in leases as follows:

Lease dated May 19, 1956 and recorded in Vol. 229, Page 524 to 527 inclusive, Official Records of San Benito County, and lease dated January 2, 1957, recorded in Vol. 229, Page 528 to 532 inclusive, Official Records of San Benito County,

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

NONE

NONE

NONE

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

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

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: none (State "None" or "See Annex No.____")

Dated this 20th day of February, 1957.

| | | | |
|---|---|---|---|
| E.A. Matthews | [Seal] | 5431 Southside Road<br>Hollister, California | [Address] |
| Sarah C. Matthews | [Seal] | 5431 Southside Road<br>Hollister, California | [Address] |
| C. Ray Winterhalder | [Seal] | 973 Terra Bella<br>San Jose, California | [Address] |
| Evelyn T. Winterhalder | [Seal] | 973 Terra Bella<br>San Jose, California | [Address] |
| Aelred M. Matthews | [Seal] | 320 KT Road<br>Hollister, California | [Address] |
| Grace A. Matthews | [Seal] | 320 KT Road<br>Hollister, California | [Address] |

I, _____ certify that I am the _____ _____ (Secretary, etc.) of the corporation named herein; that _____ _____ who signed this agreement was then _____ (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

[Corporate Seal]

STATE OF CALIFORNIA, }
} ss.
COUNTY OF SAN BENITO. }

On this 20th day of February, 1957, before me, JOHN T. LEWIS, a Notary Public in and for the County of San Benito, personally appeared E.A. MATTHEWS and SARAH C. MATTHEWS, his wife, C. RAY WINTERHALDER and EVELYN T. WINTERHALDER, his wife, and AELRED M. MATTHEWS and GRACE A. MATTHEWS, his wife, known to me to be the persons whose names are subscribed to the within instrument and they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year in this Certificate first above written.

John T. Lewis

Notary Public in and for the County of San Benito, State of California.
My commission expires June 5, 1960

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

EXHIBIT "A"

Description of the Work

The approximate locations of the work are shown on the map entitled "Figure 3 El Cajon Mine, San Benito County, California," attached hereto and made a part hereof.

The work consists of the following:

1. Excavate three trenches having dimensions averaging approximately 200 feet long by 15 feet deep by 23 feet wide, beginning at the points and extending in the directions given:

No. 1 - From approximately 190' S 63° E of survey station G, S 40° W

No. 2 - From approximately 270' N 20° E of survey station G, N 72° W

No. 3 - From approximately 150' N 65° E of survey station G, S 47° W

The amount of excavation is expected to be approximately 7500 cubic yards.

2. Drill, blast, and clean bedrock to a depth of approximately 3 feet over a distance of 150 feet in each trench.

3. Sample all favorable mineralized zones in the trenches and analyze samples for mercury.

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

Estimated Costs of Project

Actual Costs

| | |
|---|---|
| Category (1) Independent Contracts | None |
| Category (2) Personal Services | |
| Subcategory (a) Supervision | |
| 1 Supervisor-Engineer @ $500.00/mo. 1 month | $ 500.00 |

| | | |
|---|---|---|
| Subcategory (b) Technical Services. | | |
| 1 Bulldozer Operator, 20 days @ $24.00/day | $ 480.00 | |
| Subcategory (c) Labor | | |
| 2 Miners, 25 days each @ $20.00/day | 1,000.00 | $1,980.00 |
| Category (3) Operating Materials and Supplies | | |
| Explosives (3 trenches @ $350.00/trench) | $1,050.00 | |
| Drill steel (3 trenches @ $75.00/trench) | 225.00 | |
| Fuel and lubricating oil for compressor, 25 days @ $2.50/day | 62.50 | |
| Fuel and lubricating oil for bulldozer, 20 days @ $6.00/day | 120.00 | $1,457.50 |
| Category (4) Operating Equipment | | |
| Subcategories (a) and (b) Rental and Purchase | None | |
| Subcategory (c) Depreciation | | |
| 1 Compressor, 1 month @ $100.00/mo. (based on value of $6,000) | $ 100.00 | |
| 1 Jackhammer, 1 month @ $8.00/mo. (based on value of $480.00) | 8.00 | |
| 1 Bulldozer, 1 month @ $175.00/mo. (based on value of $10,500 for HD-7) | 175.00 | $ 283.00 |
| Category (5) Initial Rehabilitation and Repairs | None | |
| Category (6) New Buildings, Fixtures and Installations | None | |
| Category (7) Miscellaneous | | |
| Payroll Taxes, liability insurance | $ 280.50 | |
| Analyses 50 samples @ $3.00/sample | 150.00 | |
| Maintenance and Repair of bulldozer | 200.00 | |
| Maintenance and Repair of compressor and jackhammer | 125.00 | $ 755.50 |
| Estimated Total Cost of Project | | $4,476.00 |
| Government participation at 75 percent | | ~~$3,357.00~~ |

Extra copy

MF-200
(Revised June 1954)

Docket No. DMEA 4348

Commodity Mercury

Contract No. Idm-E 1069

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

## EXPLORATION PROJECT CONTRACT[1]

It is agreed this 20 MAR 1957 day of ....., 195..., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Matthews Mining Company, a partnership comprised of Edward A. Matthews, Everett J. Matthews, Edward S. Matthews and James D. Matthews

whose mailing address is 135 Vine Street, Hollister, California

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 1 map

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 California, County of San Benito, 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: Interests of lessors in 4 claims

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

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Lien and Subordination Agreement of lessors of 4 claims

(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 Mercury The work to be performed is described in Exhibit "A." The Operator on or before Contract shall commence the work, and on or before 3 mos. from date of Contract (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 $4476.00 The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $3357.00: *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 8.

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.*—

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Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. O. Mittendorf
Administrator, Defense Minerals
Exploration Administration

Matthews Mining Company

By ..... (Agent) Partner

By ..... Partner

By ..... Partner

By ..... Partner

I, ....., certify that I am the ..... secretary of the corporation named as Operator herein; that ..... who signed this contract on behalf of the Operator, was then ..... of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

.....

[ CORPORATE SEAL ]

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

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

ANNEX I

The property referred to in Article 2 of the contract form consists of 20 unpatented lode claims located in Sections 3, 4, 5, 8, 9, and 10 of T 16 S; R 10 E MDBM, San Benito County, California. The Operator is the owner of 16 of these claims and lessee of 4, as indicated below. The location notices for these claims are recorded in the Recorder's Office at Hollister, San Benito County, California, at the Book and Page Numbers indicated.

| Name of Claim | Book | Page |
|---|---|---|
| West Clough #1 | 220 | 209 |
| West Clough #2 | 220 | 205 |
| West Clough #3 Y/ | 220 | 211 |
| West Clough #4 | 214 | 591 |
| East Clough #1 X/ | 220 | 207 |
| East Clough #2 X/ | 220 | 193 |
| East Clough #3 | 220 | 215 |
| East Clough #4 Y/ | 220 | 191 |
| East Clough #5 | 220 | 203 |
| East Clough #6 | 220 | 195 |
| East Clough #7 | 220 | 213 |
| East Clough #8 | 220 | 201 |
| North Canyon | 220 | 199 |
| Wild Goat | 222 | 109 |
| Juniper Flat | 220 | 197 |
| Rattler No. 1 | 214 | 501 |
| Rattler No. 2 | 214 | 503 |
| Rocky Peak | 214 | 593 |
| Rattler No. 3 | 214 | 405 |
| Rattler No. 4 | 222 | 107 |

X/ East Clough Nos. 1 and 2 are held under lease dated 1/2/57, from E. A. and Sarah C. Matthews, recorded in Vol. 229, Pages 528-532.

Y/ East Clough No. 4 and West Clough No. 3 are held under lease dated 5/19/56 from Aelred and Grace Matthews, and Ray and Evelyn Winterhalder, recorded in Vol. 229, Pages 524-527.

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

EXHIBIT "A"

Description of the Work

The approximate locations of the work are shown on the map entitled "Figure 3 El Cajon Mine, San Benito County, California," attached hereto and made a part hereof.

The work consists of the following:

1. Excavate three trenches having dimensions averaging approximately 200 feet long by 15 feet deep by 23 feet wide, beginning at the points and extending in the directions given:

No. 1 - From approximately 190' S 63° E of survey station G, S 40° W

No. 2 - From approximately 270' N 20° E of survey station G, N 72° W

No. 3 - From approximately 150' N 65° E of survey station G, S 47° W

The amount of excavation is expected to be approximately 7500 cubic yards.

2. Drill, blast, and clean bedrock to a depth of approximately 3 feet over a distance of 150 feet in each trench.

3. Sample all favorable mineralized zones in the trenches and analyze samples for mercury.

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

Estimated Costs of Project

Actual Costs

| | |
|---|---|
| Category (1) Independent Contracts | None |
| Category (2) Personal Services | |
| Subcategory (a) Supervision | |
| 1 Supervisor-Engineer @ $500.00/mo. 1 month | $ 500.00 |

| | | |
|---|---|---|
| **Subcategory (b) Technical Services.** | | |
| 1 Bulldozer Operator, 20 days @ $24.00/day | $ 480.00 | |
| **Subcategory (c) Labor** | | |
| 2 Miners, 25 days each @ $20.00/day | 1,000.00 | $1,980.00 |
| **Category (3) Operating Materials and Supplies** | | |
| Explosives (3 trenches @ $350.00/trench) | $1,050.00 | |
| Drill steel (3 trenches @ $75.00/trench) | 225.00 | |
| Fuel and lubricating oil for compressor, 25 days @ $2.50/day | 62.50 | |
| Fuel and lubricating oil for bulldozer, 20 days @ $6.00/day | 120.00 | $1,457.50 |
| **Category (4) Operating Equipment** | | |
| Subcategories (a) and (b) Rental and Purchase | None | |
| **Subcategory (c) Depreciation** | | |
| 1 Compressor, 1 month @ $100.00/mo. (based on value of $6,000) | $ 100.00 | |
| 1 Jackhammer, 1 month @ $8.00/mo. (based on value of $480.00) | 8.00 | |
| 1 Bulldozer, 1 month @ $175.00/mo. (based on value of $10,500 for HD-7) | 175.00 | $ 283.00 |
| **Category (5) Initial Rehabilitation and Repairs** | None | |
| **Category (6) New Buildings, Fixtures and Installations** | None | |
| **Category (7) Miscellaneous** | | |
| Payroll Taxes, liability insurance | $ 280.50 | |
| Analyses 50 samples @ $3.00/sample | 150.00 | |
| Maintenance and Repair of bulldozer | 200.00 | |
| Maintenance and Repair of compressor and jackhammer | 125.00 | $ 755.50 |
| Estimated Total Cost of Project | | $4,476.00 |
| Government participation at 75 percent | | $3,357.00 |

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

| Date | Surname | Code |
|---|---|---|
| 8-14 | Chapman | 400 |
| 8-14 | Martin | 400 |
| 8-18 | P. | 200 |
| | | 225 |
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| | | |
| | | |
| | | |

August 14, 1957

MEMORANDUM

To: A. S. Dakan, Director, Division Operations Control and Statistics

From: W. S. Martin, Director, Division of Iron and Ferro-Alloys

Subject: Withdrawal of application
Docket No. DMEA 4348
Matthews Mining Company
El Cajon Mine
San Benito County, California

In our letter of July 26, 1957, we advised Mr. Spangler Ricker, that we would consider the subject application as withdrawn if the bids promised Mr. Roscoe M. Smith by the Applicant on May 23, 1957, had not been received.

In his letter of August 8, 1957, Mr. Ricker informed Mr. Everett J. Matthews that the Government is considering the application as being withdrawn without prejudice.

The docket is, therefore, attached to be placed in the inactive files.

W S Martin
W. S. Martin, Director
Division of Iron and Ferro-Alloys

Attachment

TLChapman:foc
8-14-57
cc: Docket
Code 400

8623

DMEA

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

August 8, 1957

Memorandum

To: Operating Committee, DMEA, Interior Building
Washington, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4348 (Mercury)
Matthews Mining Company
El Cajon Mine
San Benito County, California
(Your letter, July 26, 1957)

Enclosed are two copies of my letter dated August 8, 1957 to the Applicant on subject docket. Also enclosed are the original and five copies of a proposed Contract No. 1069, which were not executed by the Applicant.

S. Ricker

Encls.

OFFICIAL FILE COPY
DMEA
RECEIVED AUG 13 1957

| DATE | INITIALS | CODE |
|---|---|---|
| 8/13 | G | 220 |
| 8/13 | WSG | 400 |
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OFFICIAL FILE COPY
DMEA
RECEIVED AUG 12 1957

| DATE | INITIALS | CODE |
|---|---|---|
| 8/13 | B. | 220 |
| | | 400 |

Reno, Nevada

August 8, 1957

Mr. Everett J. Matthews
Matthews Mining Company
135 Vine Street
Hollister, California

Re: Docket No. DMEA-~~1348 (Mercury)~~
Matthews Mining Company
El Cajon Mine
San Benito County, California

Dear Mr. Matthews:

As a result of your conference with Mr. Roscoe Smith on May 23, 1957, I assume you intended to submit bids from three contractors for trenching on a unit cost cubic yard basis.

Since we have not received the bids nor been advised about your intentions, the Government is considering the application as being withdrawn.

The action is taken without prejudice to your property and does not jeopardize your rights to apply for a DMEA exploration loan at any future time.

Very truly yours,

S. Ricker
Executive Officer
DMEA Field Team, Region II

SRicker:ft
cc: Opr. Com., DMEA, Wash., D.C.
RMSmith
File
Chron

Government's copy

MF-200
(Revised June 1954)

Docket No. DMEA 4348

Commodity Mercury

Contract No. Idm-1069

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

## EXPLORATION PROJECT CONTRACT[1]

It is agreed this 20 MAR 1957 day of ....., 195..., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] Matthews Mining Company, a partnership comprised of Edward A. Matthews, Everett J. Matthews, Edward S. Matthews and James D. Matthews,

whose mailing address is 135 Vine Street, Hollister, California,

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 1 map.

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 California, County of San Benito, 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: Interests of lessors in 4 claims

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

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

of the land (lessor, seller, optionor, etc.), are attached, as follows: Consent to Lien and Subordination Agreement of lessors of 4 claims

(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 Mercury The work to be performed is described in Exhibit "A." The Operator on or before April 30 - 1957 shall commence the work, and on or before 3 mos. from date of Contract (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 $4476.00 The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $3357.00: *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 8.

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

Robin Dunger

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.*—

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Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. Mittendorf
Administrator, Defense Minerals
Exploration Administration

Matthews Mining Company

By ..... (XXXX) Partner

By ..... Partner

By ..... Partner

By ..... Partner

I, ....., certify that I am the ..... secretary of the corporation named as Operator herein; that ..... who signed this contract on behalf of the Operator, was then ..... of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

.....

[ CORPORATE SEAL ]

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

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

ANNEX I

The property referred to in Article 2 of the contract form consists of 20 unpatented lode claims located in Sections 3, 4, 5, 8, 9, and 10 of T 16 S; R 10 E MDBM, San Benito County, California. The Operator is the owner of 16 of these claims and lessee of 4, as indicated below. The location notices for these claims are recorded in the Recorder's Office at Hollister, San Benito County, California, at the Book and Page Numbers indicated.

| Name of Claim | Book | Page |
|---|---|---|
| West Clough #1 | 220 | 209 |
| West Clough #2 | 220 | 205 |
| West Clough #3 Y/ | 220 | 211 |
| West Clough #4 | 214 | 591 |
| East Clough #1 X/ | 220 | 207 |
| East Clough #2 X/ | 220 | 193 |
| East Clough #3 | 220 | 215 |
| East Clough #4 Y/ | 220 | 191 |
| East Clough #5 | 220 | 203 |
| East Clough #6 | 220 | 195 |
| East Clough #7 | 220 | 213 |
| East Clough #8 | 220 | 201 |
| North Canyon | 220 | 199 |
| Wild Goat | 222 | 109 |
| Juniper Flat | 220 | 197 |
| Rattler No. 1 | 214 | 501 |
| Rattler No. 2 | 214 | 503 |
| Rocky Peak | 214 | 593 |
| Rattler No. 3 | 214 | 405 |
| Rattler No. 4 | 222 | 107 |

X/ East Clough Nos. 1 and 2 are held under lease dated 1/2/57, from E. A. and Sarah C. Matthews, recorded in Vol. 229, Pages 528-532.

Y/ East Clough No. 4 and West Clough No. 3 are held under lease dated 5/19/56 from Aelred and Grace Matthews, and Ray and Evelyn Winterhalder, recorded in Vol. 229, Pages 524-527.

MF-205
(Combines and supercedes MF-201 and MF-203)
June 1956

Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator
Docket No. DMEA-
Contract No. Idm-E
Contract Date

RECEIVED FEB 25 1957 D.M.E.A.

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of San Benito State of California, described ~~as follows:~~ in leases ~~xxxxxxxxxx~~ 2/ as follows:

Lease dated May 19, 1956 and recorded in Vol. 229, Page 524 to 527 inclusive, Official Records of San Benito County, and lease dated January 2, 1957, recorded in Vol. 229, Page 528 to 532 inclusive, Official Records of San Benito County,

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

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

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

NONE

NONE

NONE

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

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

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: none (State "None" or "See Annex No.____")

Dated this 20th day of February, 1957.

| | | | |
|---|---|---|---|
| E.A. Matthews | [Seal] | 5431 Southside Road<br>Hollister, California | [Address] |
| Sarah C. Matthews | [Seal] | 5431 Southside Road<br>Hollister, California | [Address] |
| C. Ray Winterhalder | [Seal] | 973 Terra Bella<br>San Jose, California | [Address] |
| Evelyn T. Winterhalder | [Seal] | 973 Terra Bella<br>San Jose, California | [Address] |
| Aelred M. Matthews | [Seal] | 320 KT Road<br>Hollister, California | [Address] |
| Grace A. Matthews | [Seal] | 320 KT Road<br>Hollister, California | [Address] |

I, _____ certify that I am the _____ _____ (Secretary, etc.) of the corporation named herein; that _____ _____ who signed this agreement was then _____ (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

_____

[Corporate Seal]

STATE OF CALIFORNIA, }
COUNTY OF SAN BENITO. } ss.

On this 20th day of February, 1957, before me, JOHN T. LEWIS, a Notary Public in and for the County of San Benito, personally appeared E.A. MATTHEWS and SARAH C. MATTHEWS, his wife, C. RAY WINTERHALDER and EVELYN T. WINTERHALDER, his wife, and AELRED M. MATTHEWS and GRACE A. MATTHEWS, his wife, known to me to be the persons whose names are subscribed to the within instrument and they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year in this Certificate first above written.

John T. Lewis

Notary Public in and for the County of San Benito, State of California.
My commission expires June 5, 1960

EXPLORATION PROJECT CONTRACT
MATTHEWS MINING COMPANY
DOCKET NO. DMEA-4348

EXHIBIT "A"

Description of the Work

The approximate locations of the work are shown on the map entitled "Figure 3 El Cajon Mine, San Benito County, California," attached hereto and made a part hereof.

The work consists of the following:

1. Excavate three trenches having dimensions averaging approximately 200 feet long by 15 feet deep by 23 feet wide, beginning at the points and extending in the directions given:

No. 1 - From approximately 190' S 63° E of survey station G, S 40° W

No. 2 - From approximately 270' N 20° E of survey station G, N 72° W

No. 3 - From approximately 150' N 65° E of survey station G, S 47° W

The amount of excavation is expected to be approximately 7500 cubic yards.

2. Drill, blast, and clean bedrock to a depth of approximately 3 feet over a distance of 150 feet in each trench.

3. Sample all favorable mineralized zones in the trenches and analyze samples for mercury.

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

Estimated Costs of Project

Actual Costs

| | |
|---|---|
| Category (1) Independent Contracts | None |
| Category (2) Personal Services | |
| Subcategory (a) Supervision | |
| 1 Supervisor-Engineer @ $500.00/mo.<br>1 month | $ 500.00 |

| | | |
|---|---|---|
| Subcategory (b) Technical Services. | | |
| 1 Bulldozer Operator, 20 days @ $24.00/day | $ 480.00 | |
| Subcategory (c) Labor | | |
| 2 Miners, 25 days each @ $20.00/day | 1,000.00 | $1,980.00 |
| Category (3) Operating Materials and Supplies | | |
| Explosives (3 trenches @ $350.00/trench) | $1,050.00 | |
| Drill steel (3 trenches @ $75.00/trench) | 225.00 | |
| Fuel and lubricating oil for compressor, 25 days @ $2.50/day | 62.50 | |
| Fuel and lubricating oil for bulldozer, 20 days @ $6.00/day | 120.00 | $1,457.50 |
| Category (4) Operating Equipment | | |
| Subcategories (a) and (b) Rental and Purchase | None | |
| Subcategory (c) Depreciation | | |
| 1 Compressor, 1 month @ $100.00/mo. (based on value of $6,000) | $ 100.00 | |
| 1 Jackhammer, 1 month @ $8.00/mo. (based on value of $480.00) | 8.00 | |
| 1 Bulldozer, 1 month @ $175.00/mo. (based on value of $10,500 for HD-7) | 175.00 | $ 283.00 |
| Category (5) Initial Rehabilitation and Repairs | None | |
| Category (6) New Buildings, Fixtures and Installations | None | |
| Category (7) Miscellaneous | | |
| Payroll Taxes, liability insurance | $ 280.50 | |
| Analyses 50 samples @ $3.00/sample | 150.00 | |
| Maintenance and Repair of bulldozer | 200.00 | |
| Maintenance and Repair of compressor and jackhammer | 125.00 | $ 755.50 |
| Estimated Total Cost of Project | | $4,476.00 |
| Government participation at 75 percent | | $3,357.00 |

A Form 7
-56)

OFFICIAL FILE COPY

| Date | Surname | Code |
|---|---|---|
| 7-25 | Hopkins | 400 |
| 7-25 | Martin | 400 |
| 7/26 | Martin | 130 |
| " | Johnson | 110 |
| " | Matthews | 100 |
| 7/29 | C | 220 |
| | | 400 |
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| | | |

JUL 26 1957

Mr. Spangler Ricker, Executive Officer
DMEA Field Team, Region II
1605 Evans Avenue
Reno, Nevada

Re: Docket No. DMEA 4348 - Mercury
Matthews Mining Company
El Cajon Mine
San Benito County, California

Dear Mr. Ricker:

Reference is made to Roscoe M. Smith's memorandum to you dated May 29, 1957, stating that the Applicant prefers a revised contract on a unit cost basis; and if the partners agree, bids from three independent contractors for doing the work will be submitted for our consideration.

If these bids have not been received, it would be advisable to inquire about the Applicant's intentions. However, unless further interest in the project is shown by a reply to your inquiry, you may advise the Applicant, that under the circumstances we are considering the application as being withdrawn. In that case, please return all copies of the unsigned contract to this office.

Sincerely yours,

W. S. Martin

ACTING Chairman, Operating Committee (JHB)

APPROVED:

Frank D. Lamb (JHB)
Member, Bureau of Mines

Thor H. Kiilsgaard (JHB)
Member, Geological Survey

JHopkins/dlm 7-25-57
cc to: Code 400
Admr. R. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

ACTION ON INTERIM
OR FINAL FIELD REPORT

Date 6-7

Referred to:

1. ~~Mr. Mittenderf~~
2. ~~Mr. Johnson~~
3. ~~Mr. Chambers~~
4. Docket Control Mails and Files
5. Division
6. ~~Docket Control Mails and Files~~
7. 400

Note comments in report regarding:

1. To be responded

2.

3.

4.

and take appropriate action.

- - - - - - - -

Action taken by Division:

~~Robert E. Adams~~

DMEA

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region II

1605 Evans Avenue
Reno, Nevada

Date June 12, 1957

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Wash., D.C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Interim Inspection Report

Attached are four copies of Interim Report on

Docket No. DMEA-4348

Contract No. Idm-E1069 (not executed)

Commodity Mercury

Operator Matthews Mining Company

Property El Cajon Mine, San Benito County, Calif.

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 14 1957

| DATE | INITIALS | CODE |
|---|---|---|
| 6/14 | WDS | 220 |
| 14 | RMW | 100 |
| 6/19 | WSM | 400 |

By Roscoe M. Smith

Dated May 29, 1957

S. Ricker
S. Ricker
Executive Officer
DMEA Field Team, Region II

Attachments

Copy to: R. M. Smith, USGS (w/copy of report)
Finance Officer, Region II (w/copy of report)
File

BUREAU OF MINES
WASHINGTON, D. C.

JUN 14 9 07 AM '57

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Mineral Deposits Branch
4 HOMEWOOD PLACE
MENLO PARK, CALIFORNIA

IN REPLY REFER TO:

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 14 1957

| DATE | INITIALS | CODE |
|---|---|---|
| 6/19 | WSM | 400 |

May 29, 1957

Memorandum

To: S. Ricker, Executive Officer, DMEA Field Team, Region II

From: Roscoe M. Smith

Subject: DMEA-4348 (Mercury)
Matthews Mining Company
El Cajon mine
San Benito County, California

| REFER TO | NOTED | DATE |
|---|---|---|
| S Ricker | | |

ANSWERED

Please refer to your memorandum of May 22, 1957 to the Operating Committee, and to Mr. E. J. Matthews' letter of April 16 to you, with which he returned unsigned all copies of the proposed contract.

In a conference on May 23, Mr. Matthews stated that he still desires to explore the property with DMEA assistance, and expressed his hope that a revised contract can be prepared.

His objections to a Government lien on all four claims, expressed in his letter, were the result of a misunderstanding of the significance of a lien and he now wishes to withdraw his objections. He still has objections, however, to the complexity of the actual cost contract and to some of the items in it. In particular he objects to the depreciation allowance of $175.00

per month because he would be unable to rent an HD-7 for that amount and his present bulldozer is inadequate to handle a job of this magnitude.

At the conclusion of our discussion he stated that he would prefer a unit-cost contract, and if his partners agree he will submit bids from three independent contractors for doing the work which amounts to 7500 cubic yards of trenching.

I suggest that we hold the old contract until these bids are received.

Roscoe M Smith

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

DMEA
OFFICIAL FILE COPY
DMEA
RECEIVED MAY 1957

| DATE | INITIALS | CODE |
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| 5/24 | C | 220 |
| 5/27 | WSay | 400 |
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| | | |
| | | |

May 22, 1957

Memorandum

To: Operating Committee, DMEA, Interior Building
Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4348 (Mercury)
Matthews Mining Company
El Cajon Mine
San Benito County, California

Reference is made to your letter of May 17, 1957 relative to status of subject docket.

Enclosed are two copies of a letter dated April 16, 1957 from the Applicant. We have been holding this in abeyance until either Mr. Sheahan or Mr. Tatlock could interview the Applicant as he had suggested in his letter.

In a recent discussion with Tatlock, Mr. Matthews confirmed the objection set forth in his letter of April 16th. In addition, inasmuch as he did not own an HD-7 bulldozer, he seemed to think that he could not comply with Category (4), Subcategory (c).

Roscoe Smith expects to interview the Applicant in a few days and explain more fully the operations under a contract. Neither Roscoe nor I believe that any part of the area should be deleted from that subject to royalty. If this point cannot be resolved with the Applicant, we would recommend that the proposed contract be withdrawn.

I, personally, believe that a minor contract of this kind could be handled more efficiently if it were possible to draw up the major part of it on fixed unit cost basis.

For the present, we shall hold the contract here in abeyance.

S. Ricker

Attachments

BUREAU OF MINES
WASHINGTON, D.C.

MAY 24 8 04 AM '57

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 24 1957

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Form 7
-56)

OFFICIAL FILE COPY

| Date | Surname | Code |
|---|---|---|
| 5-17 | Hopkins | 400 |
| 5-17 | Martin | 400 |
| 5/17 | Selfridge | 130 |
| " | Johnson | 110 |
| " | Mutterday | 100 |
| 5/20 | C | 220 |
| | | 400 |
| | | |
| | | |

MAY 17 1957

Mr. Spangler Ricker, Executive Officer
DMEA Field Team, Region II
1605 Evans Avenue
Reno, Nevada

Re: Docket No. DMEA 4348 - Mercury
Matthews Mining Company
El Cajon Mine
San Benito County, California

Dear Mr. Ricker:

Reference is made to your April 1957 Monthly Report which states that copies of a proposed contract on the subject property had been returned by the applicant without comment and not executed.

If you have had no further word from the applicant, please endeavor to ascertain why the contract was not acceptable.

Sincerely yours,

George C. Selfridge
(Ayes)
Chairman, Operating Committee

JHOPKINS:foc
5-17-57
cc to: Docket
Code 400
Admr. R. File
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

APPROVED:

Frank D. Lamb (Ayes)
Member, Bureau of Mines

Thor H. Kiilsgaard
(Ayes)
Member, Geological Survey

8623

| | | |
|---|---|---|
| | | CODE |
| 3/28 | C | 220 |
| 3/28 | WSM | 400 |

1605 Evans Avenue
Reno, Nevada

March 25, 1957

Mr. Everett J. Matthews
Matthews Mining Company
135 Vine Street
Hollister, California

Re: Docket No. DMEA-4348 (Mercury)
Matthews Mining Company
El Cajon Mine
San Benito County, California

Dear Mr. Matthews:

Enclosed are the original and five copies of a proposed contract for an exploration program at the above-referenced property, signed by the Administrator for the Government, together with Consent to Lien and Subordination Agreement, Annex I (one page), Exhibit "A" (two pages), and one map.

If the terms and conditions of this proposed contract are satisfactory to you, all six copies should be signed by you and your partners. The copy marked "Operator's copy" should be retained by you and the original and other four copies should be returned to this office.

If any part of this contract does not meet with your approval, the original and all copies should be returned with your suggested changes.

Very truly yours,

S. Ricker
Executive Officer
DMEA Field Team, Region II

Encls.

SRicker:ft
cc: Opr. Com., DMEA, Wash., D.C.
~~Finance Officer, Reg. II~~ File Chron
RMSmith

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

| Date | Surname | Code |
|---|---|---|
| 3/13 | Hopkins | 400 |
| 3/13 | Martin | 400 |
| 3-14 | Chamber | 800 |
| 3/20 | Selfridge | 130 |
| " | Johnson | 110 |
| " | Hutchings | 100 |
| 3/21 | C | 220 |
| | | 400 |
| | | |

MAR 20 1957

Mr. Spangler Ricker, Executive Officer
DMEA Field Team, Region II
1605 Evans Avenue
Reno, Nevada

Re: Docket No. DMEA 4348 - Mercury
Matthews Mining Company
El Cajon Mine
San Benito County, California

Dear Mr. Ricker:

Enclosed are the original and five copies of a proposed long form contract for an exploration program at the above referenced property, signed by the Administrator for the Government, together with Consent to Lien and Subordination Agreement, Annex I (1 page) Exhibit "A" (2 pages), and 1 map. Two extra copies of Annex I, Exhibit "A" and map are enclosed for the use of the Field Team.

If the terms and conditions of this proposed contract are satisfactory to you and the Operator, all six copies should be signed by the Operator, and the usual distribution made.

If any part of this proposed contract does not have either your approval or that of the Operator and cannot be altered within your delegated authority, the original and all copies of the proposed contract are to be returned to this office, together with the proposed changes for consideration.

Under Article ~~1(a)~~ 3, the starting date has been left blank and is to be filled in when the contract is signed by the Operator.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

Frank D. Lamb

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

JHOPKINS:foc 3/13/57
cc to: Docket
Code 400
Admr. R. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Enclosures

8623

holes 3 ft deep

300 holes @ $350 = $1.17/hole

powder @ $25.00/100# = ± 12.5¢/stick

fuse 1.5¢/ft

caps 2.5¢ apiece

For each hole

cap — $0.025

10' fuse — 0.15

8 sticks powder — 1.00

$1.175

8 sticks in 3' hole

This project is just like [illegible] a [illegible] to [illegible] hole [illegible] long [illegible] in [illegible]

Would be preferable to have a stage II of drilling on underground work.

JEJ

Wanamaker's
Morning & Evening
3/19/1899

E 999 4263

16 13

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[illegible]

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Have sound

[illegible]

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

March 6, 1957

MEMORANDUM

To: Files

From: James Hopkins, Mining Engineer, Iron & Ferro Alloys Division

Subject: Cost data - Work sheet
Docket No. DMEA 4348 - Mercury
Matthews Mining Company
San Benito County, California

## Bulldozing

Costs of bulldozing based on use allowance for HD-7 bulldozer owned by the applicant. Hd-7 no longer being manufactured by Allis Chalmers.

| | |
|---|---|
| Factory price with blade | $9,500.00 |
| Freight, etc., to California | 1,000.00 |
| Total Cost | $10,500.00 |

Depreciation @ 20% = 1/60 of $10,500.00 = $175.00 per month
Fuel and grease for 20 days @ $6.00/day = $120.00
Maintenance and Repair for 20 days @ $10.00/day = $200.00 ?
Bulldozer estimated to remove 375 cu. yds. per day of 8 hours

## Drilling and Blasting

Based on Compressor cost of $6,000.00 and $480.00 for Jackhammer and use allowance for one month

1/60 X $6,480 = $108.00 use allowance
Gas, oil and grease 25 days @ $2.50/day = $62.50
Maintenance and Repair 25 days @ $5.00/day = $125.00

## Payroll Taxes

Are estimated at slightly over 14% of Payroll.

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

| Date | Surname | Code |
|---|---|---|
| 3/5 | | 400 |
| 3/5 | | 400 |
| | | |
| | | |
| | | |
| | | |

March 6, 1957

MEMORANDUM

To: Files

From: James Hopkins, Mining Engineer, Iron & Ferro Alloys Division

Subject: Cost data - Work sheet
Docket No. DMEA 4348 - Mercury
Matthews Mining Company
San Benito County, California

## Bulldozing

Costs of bulldozing based on use allowance for HD-7 bulldozer owned by the applicant. Hd-7 no longer being manufactured by Allis Chalmers.

| | |
|---|---|
| Factory price with blade | $9,500.00 |
| Freight, etc., to California | 1,000.00 |
| Total Cost | $10,500.00 |

Depreciation @ 20% = 1/60 of $10,500.00 = $175.00 per month
Fuel and grease for 20 days @ $6.00/day = $120.00
Maintenance and Repair for 20 days @ $10.00/day = $200.00
Bulldozer estimated to remove 375 cu. yds. per day of 8 hours

## Drilling and Blasting

Based on Compressor cost of $6,000.00 and $480.00 for Jackhammer and use allowance for one month

1/60 X $6,480 = $108.00 use allowance
Gas, oil and grease 25 days @ $2.50/day = $62.50
Maintenance and Repair 25 days @ $5.00/day = $125.00

## Payroll Taxes

Are estimated at slightly over 14% of Payroll.

Exploration Project Contract
Matthews Mining Company
Docket No. DMEA 4348

EXHIBIT "A"

Description of the Work

The approximate location of the work is shown on the map entitled "Figure 3 El Cajon Mine, San Benito County, California DMEA 4348 - Mercury" attached hereto and made a part hereof.

The work consists of the following:

1. Excavate three trenches having approximate dimensions of 200' X 15' X 23' (ave.) beginning at the following points and extending in the given directions:

No. 1 At 190' S63°E of survey station G S 40° W
No. 2 At 270' N20°E of survey station G N 72° W
No. 3 At 150' N65°E of survey station G S 47° W

Total yardage to be excavated approximately 7500 cu. yds.

2. Drill, blast and clean bedrock to a depth of approximately 3 feet over a distance of 150 feet in each trench.

3. Sample all favorable mineralized zones in the trenches and analyze samples for mercury.

The location, direction, inclination and extent of all work together with method of sampling are subject to the approval of the Government.

Estimated Cost of Project

Actual Cost

| | |
|---|---|
| 1. Independent Contracts | None |
| 2. Labor and Supervision | |
| 2 Miners 25 days each @ $20.00/day | $1,000.00 |
| 1 Supervision-Engineer @ $500.00/mo. - 1 month | 500.00 |
| 1 Bulldozer Operator 20 days @ $24.00/day | 480.00 |
| Sub-Total | $1,980.00 |
| 3. Operating Materials and Supplies | |
| Explosives - 3 trenches @ $350.00/trench | $1,050.00 |
| Drill Steel 3 trenches @ $75.00/trench | 225.00 |
| Fuel and lub. oil Compressor 25 days @ $2.50 | 62.50 |
| Fuel and lub. oil Bulldozer 20 days @ $6.00 | 120.00 |
| Sub-Total | $1,457.50 |
| 4. Operating Equipment | |
| Compressor and Jackhammer | |
| Use allowance 1 month @ $108.00 | $108.00 |
| Bulldozer | |
| Use allowance 1 month @ $175.00 | 175.00 |
| Sub-Total | $283.00 |

Exploration Project Contract
Matthews Mining Company
Docket No. DMEA 4348

Estimated Cost of Project

Actual Cost (Cont'd)

| | |
|---|---|
| 5. Rehabilitation and Repair | |
| None | None |
| 6. New Buildings, Improvements, etc. | |
| None | None |
| 7. Miscellaneous | |
| Payroll Taxes, Insurance, etc., @ 14% (rounded) | $278.50 |
| Analyses 50 samples @ $3.00 | 150.00 |
| Maintenance and Repair Bulldozer | 200.00 |
| Maintenance and Repair Compressor and Jackhammer | 125.00 |
| Sub-Total | $753.50 |
| 8. Contingencies | |
| None | None |
| Estimated Total Cost | $4,476.00 |
| Government participation @ 75 percent | $3,357.00 |

Annex I

The property referred to Article III of the contract consists of 20 unpatented lode claims located in Sections 4,9,8,3,5 and 10 in T 16 S; R 10 E MDBM. These claims are recorded in the Recorder's office, Hollister, San Benito County, California, at the Book and Page numbers:

| Name of Claim | Book | Page |
|---|---|---|
| 1. West Clough #1 | 220 | 209 |
| 2. #2 | 220 | 205 |
| 3. #3 | 220 | 211 |
| 4. #4 | 214 | 591 |
| 5. East Clough #1 | 220 | 207 |
| #2 | 220 | 193 |
| #3 | 220 | 215 |
| #4 | 220 | 191 |
| #5 | 220 | 203 |
| #6 | 220 | 195 |
| #7 | 220 | 213 |
| #8 | 220 | 201 |
| North Canyon | 220 | 199 |
| Wild Goat | 222 | 109 |
| Juniper Flat | 220 | 197 |
| Rattler No. 1 | 214 | 501 |
| " No. 2 | 214 | 503 |
| Rocky Peak | 214 | 593 |
| Rattler No. 3 | 214 | 405 |
| " No. 4 | 222 | 107 |

East Clough No. 1) Held under recorded lease dated 1/2/1957
East Clough No. 2) Vol. 229, Page 528-532
East Clough No. 4 Held under recorded lease dated 5/19/1956
West Clough No. 3 Vol. 229, Page 524-527

JHopkins:am
cc to: Docket
Code 400

Telefax — WESTERN UNION — Telefax

CDN084 FD=HOLLISTER CALIF 26 1055AMP=

C O MITTENDORF ADMINISTRATION= Interior Dept 2 24

DEFENCE MINERALS EXPLORATION ADMIN WASHDC=

RE DOCKET D M E A 4348 MATTHEWS MINING CO IS A

PARTNERSHIP=

EVERETT J MATTHEWS 155 VINE ST HOLLISTER CALIF=

D M E A 4348 135=

1270 (1-51)

OFFICIAL FILE COPY
D M E A
RECEIVED FEB 28 1957

| DATE | INITIALS | CODE |
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| 2/28 | WSM | 400 |
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DMEA Form 7
(12-56)

INTER

DEFENSE MINERALS EXPLORATION
ADMINISTRATION
14X4401 (01) REVOLVING FUND
DEFENSE PRODUCTION ACT, INTERIOR
ALLOCATED WORKING FUND TO THE OFFICE OF
THE SECY.)

OFFICIAL FILE COPY

| Date | Surname | Code |
|---|---|---|
| 2/27 | [illegible] | 400 |
| 2/27 | [illegible] | 400 |
| 2/27 | Selbridge | 120 |
| " | Johnson | 110 |
| " | Mittendorf | 100 |
| 3/1 | C | 220 |

400

MR. E. A. MATTHEWS
5431 SOUTHSIDE ROAD
HOLLISTER, CALIFORNIA

FEB 28 1957

ADVISE IF MATTHEWS MINING COMPANY IS CORPORATION OR PARTNERSHIP. IF CORPORATION ADVISE WHAT STATE INCORPORATED IN AND NAMES AND ADDRESSES OF OFFICERS. ALSO, IF CORPORATION BOTH LEASES MUST BE ASSIGNED TO CORPORATION AND COPY OF ASSIGNMENT FURNISHED US FOR DOCKET DMEA 4348.

C. O. Mittendorf (for)

C. O. MITTENDORF
ADMINISTRATOR, DEFENSE MINERALS
EXPLORATION ADMINISTRATION

JHopkins:am 2-27-57
cc to: Docket
Code 400
Admr. Read. File
Oper. Comm.
FT REG II
Messrs. A. McMahon, USBM
T. Kiilsgaard, USGS

8623

DMEA

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 25 1957

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UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

February 21, 1957

Memorandum

To: Operating Committee, DMEA, Interior Building
Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA- 4348 (Mercury)
Matthews Mining Company
El Cajon Mine
San Benito County, California
(Your letter of February 18, 1957)

Enclosed are copies of two mining leases covering East Clough Nos. 1, 2, and 4 and West Clough No. 4 mining claims and six copies of Owner's Consent to Lien and Subordination Agreement.

These documents arrived February 21, 1957 and I trust they are in order.

S. Ricker

Encls.

EXTRA COPY
DMEA
RECEIVED FEB 25 1957

| DATE | INITIALS | CODE |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |

1605 Evans Avenue
Reno, Nevada

February 21, 1957

Memorandum

To: Operating Committee, DMEA, Interior Building
Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA- 4348 (Mercury)
Matthews Mining Company
El Cajon Mine
San Benito County, California
(Your letter of February 18, 1957)

Enclosed are copies of two mining leases covering East Clough Nos. 1, 2, and 4 and West Clough No. 4 mining claims and six copies of Owner's Consent to Lien and Subordination Agreement.

These documents arrived February 21, 1957 and I trust they are in order.

S. Ricker

Encls.

# MINING LEASE

THIS MINING LEASE made this 2nd day of January, 1957, by and between E. A. MATTHEWS and SARAH C. MATTHEWS, his wife of 5431 Southside Road, Hollister, San Benito County, California, hereinafter called "LESSORS", and JAMES D. MATTHEWS of 930 San Benito Street, EDWARD S. MATTHEWS of 5431 Southside Road, and EVERETT J. MATTHEWS of 135 Vine Street, all of Hollister, San Benito County, California, hereinafter called "LESSEES",

WITNESSETH:

That the lessors for and in consideration of the royalties, payments, covenants and agreements, hereinafter contained, on the part and behalf of lessees to be paid, kept and performed, do hereby lease unto the lessees all their right, title and interest in the following described claims situate in Section 4, Township 16, South Range 10 East, in the County of San Benito, State of California, as follows, to-wit:

PARCEL ONE: The East Clough No. 1, described as follows:

Beginning at a location notice and tree which is the West end of center line of claim, thence running South 300 feet to tree which is the Southwest corner of claim, thence running East 1500 feet to tree which is the Southeast corner of claim, thence running North 300 feet to a tree which is the East end of center line of claim, thence running North 300 feet to tree which is the Northeast corner of claim, thence running 1500 feet West to a tree which is the Northwest corner of claim, thence South 300 feet to Notice and point of beginning. This claim is located in Section 4, Township 16, S. R. 10 E., and contains approximately 20 acres.

PARCEL TWO: The East Clough No. 2 described as follows:

Beginning at a location notice on a tree at the West end of center line of claim, thence running South 300 feet to a tree which is the Southwest corner of claim, thence running East 1500 feet to a tree which is the Southeast corner of claim, thence North 300 feet to a tree which is the East end of center line of claim, thence North 300 feet to tree which is the Northeast corner of claim, thence running West 1500 feet to tree which is the Northwest corner of claim, thence running South 300 feet to tree and notice and point of beginning. This claim is located in Section 4, Township 16, S. R. 10 E., and contains approximately 20 acres,

covering all minerals in, under and upon said mining claims, hereby giving to said Lessees the exclusive right and privilege

of mining said lands and operating the same as a mine or mines and extracting the mineral therefrom. It being expressly agreed and understood by lessors and lessees that the lessors only own mining claims on said land and are only leasing their right under said mining claims and the ground surface is Government land.

To have and to hold unto the said lessees for a term of ten (10) years, from the date hereof and so long thereafter as mineral is being produced in paying quantities or until the same is terminated as herein provided, and in consideration of said lease, said lessees do covenant and agree with said lessors as follows:

1) To enter upon said mine or premises and work the same in a manner necessary to good and economic mining so as to take out the greatest amount of ore possible with due regard to safety, development and preservation of said premises as a workable mine.

2) To work and mine said premises, as aforesaid, steadily and continuously from the date of this lease; to well and sufficiently timber said mine or mines at all points where proper and to repair timbering wherever and whenever it becomes necessary.

It is mutually agreed by lessors and lessees that at the present time there is no roadway into said mines and it may take sometime to obtain a right of way and to build a road going into said mine, and said commencement date shall be extended from the date of this lease until the proper agreement as to a roadway has been obtained. It is also mutually agreed by lessors and lessees that wherein this paragraph it states that the workings of the premises or mine and mines is to be steadily and continuously from the date of this lease, that allowance shall be made at anytime the weather does not permit the working of said mine.

3) To allow said lessors or their agent to enter upon and into all parts of said mine or mines for the purposes of inspection.

4) To keep books of account showing the amount of ore extracted from said mine or mines, the amount of ore shipped, sold

or treated, and the amount of money received from the sale of said ore, or the values extracted therefrom.

5) That from and out of the values obtained from the ore so extracted, which may be found in, on or upon said mining claim or claims and reduced, treated, sold or shipped, said lessees will pay to lessors ten percent (10%) of the gross proceeds thereof. Said payment shall be made by the 15th day of each month, accounting for the moneys received for the month prior, and on the 15th day of each month said lessees shall deliver to said lessors statements of all ores extracted from said mine or mines which have not been shipped, sold, treated or reduced. That a duplicate of all mill, smelter or retorter returns shall be furnished by the mill owner, or the owner of the smelter or retorter to said lessors, and that said books of account shall be open at all reasonable times to said lessors and their representatives.

6) It is further agreed and understood by lessors and lessees that the lessors shall negotiate for said roadways necessary for the convenient transportation of said ore and development of said mines, but if there is a rent to be paid for said roadways, said lessees shall pay the same.

All equipment and material placed on said premises by the lessees shall be the property of the lessees and at the expiration of this lease, or any sooner termination thereof, lessees shall have the right to remove the same; together with houses or other structures that may be found necessary or desirable shall be the property of the lessees and lessees shall have the right to remove at anytime during the term of this lease or any sooner termination thereof.

7) Lessees further agree to do all discovery work and assessment work necessary on the claims above described in behalf of lessors and to prepare, file and record said assessment work done at the proper time and in the proper manner.

8) Lessees further agree to keep at all times the drifts, shafts, tunnels and other passages and workings of said demised premises thoroughly drained and clear of rough rock and rubbish of all kinds.

9) Lessees agree that they will pay, prior to delinquency, all taxes which may be assessed against lessees' equipment and the property brought upon said leased premises by lessees, and that said lessors agree to pay, prior to delinquency, the taxes on the one-tenth interest which lessors shall receive.

10) The lessees agree to carry adequate liability and property damage insurance to protect the lessors from all responsibility and liability arising out of this lease.

And finally upon the breach of any covenant or agreement herein reserved by said lessees and after lessors have given forty-five (45) days' notice, if said lessees do not correct said breach within said forty-five days, this lease can be automatically cancelled by said lessors and said lessors or their agent may upon demand of the premises enter upon said premises and dispossess all persons occupying the same, with or without process of law.

Each and every clause or covenant of this lease where the contents require it shall extend to and include the heirs and assigns of the lessors and the executors, administrators and assigns of the lessees.

It is agreed and understood by lessors and lessees that on October 18, 1955 the lessors purchased all their right, title and interest in said lease from H. V. Underwood and Nellie Underwood, his wife. Said deed was recorded at the request of John T. Lewis, on October of 1955 in Volume 217 of Official Records, page 557, San Benito County Records.

It is further agreed and understood by lessors and lessees that that certain mining Lease dated April 27, 1955 by and between H. V. Underwood and Nellie Underwood, his wife, and E. A. Matthews and Sarah C. Matthews, his wife, therein lessors, and James D. Matthews, Edward S. Matthews and Everett J. Matthews, therein lessees, and

recorded May 19, 1955 at the request of John T. Lewis, in Volume 214 of Official Records, page 166, San Benito County Records, is hereby cancelled.

IN WITNESS WHEREOF, the parties hereto set their hand the day and year first above written.

E. A. MATTHEWS

JAMES D. MATTHEWS

SARAH C. MATTHEWS

EDWARD S. MATTHEWS

EVERETT J. MATTHEWS

STATE OF CALIFORNIA, )
COUNTY OF SAN BENITO, ) ss.

On this 21st day of January, 1957, before me, JOHN T. LEWIS, a Notary Public in and for the County of San Benito, State of California, residing therein, duly commissioned and sworn, personally appeared E. A. MATTHEWS and SARAH C. MATTHEWS, his wife, and JAMES D. MATTHEWS, EDWARD S. MATTHEWS and EVERETT J. MATTHEWS, known to me to be the persons whose names are subscribed to the within instrument, and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal in the County of San Benito, the day and year in this certificate first above written.

Notary Public in and for the County of San Benito, State of California.

My commission expires June 5, 1960.

6509

RECORDED AT REQUEST OF Everett J. Matthews
ON THE 4 DAY OF FEB 1957 AT 19 MIN. PAST 10 A.M.
IN BOOK 229 OF OFFICIAL RECORDS PAGE 552 SAN BENITO COUNTY
RECORDS. TOWLE, RECORDER BY Jean C. Tilley DEPUTY RECORDER
FEE $1.20 PD

RECEIVED
FEB 26 1957
D.M.E.A.

# MINING LEASE

THIS MINING LEASE made this 19th day of May, 1956, by and between AELRED MATTHEWS and GRACE MATTHEWS, his wife, of 320 KT Road, Hollister, San Benito County, California, and RAY WINTERHALDER and EVELYN WINTERHALDER, his wife, of 973 Terra Bella, San Jose, California, hereinafter called "LESSORS", and JAMES D. MATTHEWS of 930 San Benito Street, EDWARD S. MATTHEWS of 5431 Southside Road, and EVERETT J. MATTHEWS, all of Hollister, San Benito County, California, hereinafter called "LESSEES",

WITNESSETH:

That the lessors for and in consideration of the royalties, payments, covenants and agreements, hereinafter contained, on the part and behalf of lessees to be paid, kept and performed, do hereby lease unto the lessees all their right, title and interest in the following described claims situate in the County of San Benito, State of California, as follows, to-wit:

PARCEL ONE: The EAST CLOUGH No. 4 described as follows:

Beginning at a Location Notice which is located on the end of the West center line of claim, thence running S. 300 feet to rock monument which is on the Southwest corner of claim, thence 1500 feet East to rock monument which is the Southeast corner of claim, thence North 300 feet to a rock monument which is the East end of center line of claim, thence continuing North 300 feet to rock monument which is the Northeast corner of claim, thence West 1500 feet to rock monument which is the Northwest corner of claim, thence 300 feet South to Notice and point of beginning. This claim is in Section 4, Township 16 S., Range 10 E., M.D.M.

PARCEL TWO: The WEST CLOUGH NO. 3 described as follows:

Beginning at a Location Notice which is located on a large pine tree which is also the East end of center line of claim, thence running South 300 feet to a rock monument which is the Southeast corner of claim, thence running West 1500 feet to rock monument which is the Southwest corner of claim, thence North 300 feet to rock monument which is the West end of center line of claim, thence continuing 300 feet to rock monument which is the Northwest corner of claim, thence running East 1500 feet to rock monument which is the Northeast corner of claim, thence South 300 feet to pine tree and point of Beginning. This claim is located in Section 4, Township 16 South, Range 10 East, M.D.M.

covering all minerals in, under and upon said mining claims,



JOHN T. LEWIS
ATTORNEY AT LAW
BANK OF AMERICA BLDG
HOLLISTER, CALIF.

hereby giving to said Lessees the exclusive right and privilege of mining said lands and operating the same as a mine or mines and extracting the mineral therefrom. It being expressly agreed and understood by lessors and lessees that the lessors only own mining claims on said land and are only leasing their right under said mining claims and the ground surfaces is Government land.

To have and to hold unto the said lessees for a term of ten (10) years, from the date hereof and so long thereafter as mineral is being produced in paying quantities or until the same is terminated as herein provided, and in consideration of said lease, said lessees do covenant and agree with said lessors as follows:

1) To enter upon said mine or premises and work the same in a manner necessary to good and economic mining so as to take out the greatest amount of ore possible with due regard to safety, development and preservation of said premises as a workable mine.

2) To allow said lessors or their agent to enter upon and into all parts of said mine or mines for the purpose of inspection.

3) To keep books of account showing the amount of ore extracted from said mine or mines, the amount of ore shipped, sold, or treated, and the amount of money received from the sale of said ore, or the values extracted therefrom.

4) That from and out of the values obtained from the ore so extracted, which may be found in, on or upon said mining claim or claims and reduced, treated, sold or shipped, said lessees will pay to lessors ten percent (10%) of the gross proceeds thereof. Said payment shall be made by the 15th day of each month, accounting for the moneys received for the month prior, and on the 15th day of each month said lessees shall deliver to said lessors statements of all ores extracted from said mine or mines which have not been shipped, sold, treated or reduced. That a duplicate of all mill, smelter or retorter returns shall be furnished by the



JOHN T. LEWIS
ATTORNEY AT LAW
BANK OF AMERICA BLDG
HOLLISTER, CALIF.

mill owner, or the owner of the smelter or retorter to said lessors, and that said books of account shall be open at all reasonable times to said lessors and their representatives.

5) Lessees further agree to do all discovery work and assessment work necessary on the claims above described in behalf of lessors and to prepare, file and record said assessment work done at the proper time and in the proper manner.

6) Lessees further agree to keep at all times the drifts, shafts, tunnels and other passages and workings of said demised premises thoroughly drained and clear of rough rock and rubbish of all kinds.

7) Lessees agree that they will pay, prior to delinquency, all taxes which may be assessed against lessees' equipment and the property brought upon said leased premises by lessees, and that said lessors agree to pay, prior to delinquency, the taxes on the one-tenth interest which lessors shall receive.

8) The lessees agree to carry adequate liability and property damage insurance to protect the lessors from all responsibility and liability arising out of this lease.

And finally upon the breach of any covenant or agreement herein reserved by said lessees, and after lessors have given forty-five (45) days' notice, if said lessees do not correct said breach within said forty-five days, this lease can be automatically cancelled by said lessors and said lessors or their agent may upon demand of the premises enter upon said premises and dispossess all persons occupying the same, with or without process of law.

Each and every clause or covenant of this lease where the contents require it shall extend to and include the heirs and assigns of the lessors and the executors, administrators and assigns of the lessees.



JOHN T. LEWIS
ATTORNEY AT LAW
BANK OF AMERICA BLDG
HOLLISTER, CALIF.

IN WITNESS WHEREOF, the parties hereto set their hand the day and year first above written.

AELRED MATTHEWS

GRACE MATTHEWS

RAY WINTERHALDER

EVELYN WINTERHALDER

Lessors

JAMES D. MATTHEWS

EDWARD S. MATTHEWS

EVERETT J. MATTHEWS

Lessees

STATE OF CALIFORNIA, }
COUNTY OF SAN BENITO. } ss.

On this 25th day of May, 1956, before me, JOHN T. LEWIS, a Notary Public in and for the County of San Benito, State of California, residing therein, duly commissioned and sworn, personally appeared AELRED MATTHEWS and GRACE MATTHEWS, his wife; RAY WINTERHALDER and EVELYN WINTERHALDER, his wife; JAMES D. MATTHEWS, EDWARD S. MATTHEWS and EVERETT J. MATTHEWS, known to me to be the persons whose names are subscribed to the within instrument, and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal in the County of San Benito, the day and year in this certificate first above written.

Notary Public in and for the County of San Benito, State of California.
My commission expires June 5, 1956

RECORDED AT REQUEST OF Everett J. Matthews
Feb. 4, 1957 AT 18 MIN. PAST 10A M.
IN VOL. ..... OF OFFICIAL RECORDS FOR FILE ..... SAN BENITO COUNTY
RALPH G. TOWLE, RECORDER BY Jean C. Filice, DEPUTY RECORDER
FEE: $4.40 PD.

JOHN T. LEWIS
ATTORNEY AT LAW
BANK OF AMERICA BLDG
HOLLISTER, CALIF.

4.40
5.20
9.60

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

| Date | Surname | Code |
|---|---|---|
| 2/13 | Hopkins | 400 |
| 2/13 | Martin | 400 |
| 2/15 | Selfridge | 130 |
| " | [illegible] | 110 |
| " | [illegible] | 100 |
| 2/19 | C | 220 |
| | | 400 |

FEB 18 1957

Mr. Spangler Ricker, Executive Officer
DMEA Field Team, Region II
1605 Evans Avenue
Reno, Nevada

Re: Docket No. DMEA 4348 - Mercury
Matthews Mining Company
El Cajon Mine
San Benito County, California

Dear Mr. Ricker:

Reference is made to your letter of October 30, 1956, to the subject applicant requesting additional information.

If no reply to your letter has been received we suggest you write again calling attention to our need for this information in order to process the application.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

Frank D. Lamb
Member, Bureau of Mines

Thor H. Kiilsgaard
Member, Geological Survey

JHOPKINS:foc 2/13/57
cc to: Docket
Code 400
Admr. Read. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

Docket
Dmea
Wash., D.C.

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

1605 Evans Avenue
Reno, Nevada

October 31, 1956

RECEIVED
NOV 5 1956
DMEA

Mr. Everett J. Matthews
Matthews Mining Co.
135 Vine Street
Hollister, California

Re: Docket No. DMEA-4348 (Tepeury)
Matthews Mining Company
El Cajon Mine
San Benito County, California

Dear Mr. Matthews:

Listed in the report by our engineers are 20 mining claims as owned by the company:

| | Book | Page |
|---|---|---|
| West Clough No. 1 | 220 | 209 |
| West Clough No. 2 | 220 | 205 |
| West Clough No. 3 | 220 | 211 |
| West Clough No. 4 | 214 | 591 |
| East Clough No. 1 | 220 | 207 |
| East Clough No. 2 | 220 | 193 |
| East Clough No. 3 | 220 | 215 |
| East Clough No. 4 | 220 | 191 |
| East Clough No. 5 | 220 | 203 |
| East Clough No. 6 | 220 | 195 |
| East Clough No. 7 | 220 | 213 |
| East Clough No. 8 | 220 | 201 |
| North Canyon | 220 | 199 |
| Wild Goat | 222 | 109 |
| Juniper Flat | 220 | 197 |
| Rattler No. 1 | 214 | 501 |
| Rattler No. 2 | 214 | 503 |
| Rocky Peak | 214 | 593 |
| Rattler No. 3 | 214 | 405 |
| Rattler No. 4 | 222 | 107 |

It is further stated that "The discovery claims were leased to the Matthews Mining Company consisting of Edward A. Matthews, the original locator, and his three sons", and that "Additional claims were staked by the company". If the discovery claims are among those listed, a copy of the lease between the owners and the Matthews Mining Company should be submitted. We will also require six copies of Consent to Lien and Subordination Agreement from the owners.

We are enclosing seven copies of form MF-205 - Consent to Lien and Subordination Agreement. Six executed copies should be returned to this office. One copy is for your files. This Consent to Lien is required only on those claims not owned by the company.

Your early attention will expedite the processing of your application.

Very truly yours,

S. Ricker
Executive Officer
DMEA Field Team, Region II

Encl.

SRicker:gh
cc: Opr. Com., DMEA, Wash., D.C.
R. M. Smith
File

DOCKET
SURNAME

400 McMahon
Martin
Selfridge
Matthews

Mr. Spangler Richer, Executive Officer
DMEA Field Team, Region II
1605 Evans Avenue
Reno, Nevada

Re: Docket No. DMEA 4348 - Mercury
Matthews Mining Company
El Cajon Mine
San Benito County, California

Dear Mr. Richer:

Reference is made to the Report on the subject property prepared by Walter Bank, Bureau of Mines, and D. B. Tatlock, Geological Survey, and dated September 25, 1956.

After a listing of the twenty claims on pages 4 and 5 of the report the examiners state: "The discovery claims were leased to the Matthews Mining Company consisting of Edward A. Matthews, the original locator, and his three sons, - - - - etc. Additional claims were staked by the company." The application refers to the applicant as the owner and operator of the same 20 claims.

Will you please determine if any of the claims listed in the report and application are "discovery" claims subject to lease; if such is the case advise the applicant that a copy of the lease should be submitted as a part of the application.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (GCS)

APPROVED:

Frank D. Lamb (GCS)
Member, Bureau of Mines

N. E. Nelson (GCS)
Member, Geological Survey

ADMcMahon/foc 10/16/56
cc to: Docket
Code 400
Admr. Read. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

RCh.

IN REPLY REFER TO:

Docket

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

RECEIVED
OCT 15 1956

October 11, 1956

Memorandum

WSM

To: W. S. Martin, Defense Minerals Exploration Administration

From: W. P. Williams, U. S. Geological Survey

Subject: Review of field examination report, DMEA 4348, Matthews Mining Company, El Cajon Mine, San Benito County, California, (mercury).

The examining team reports that mineralization of ore grade exists on the property and that about 66 flasks of mercury have been produced. The prospect is good that other small ore bodies, like the ones already known, would be found by an exploration project.

The field examiners recommend approval of an exploration project consisting of three surface trenches, or a total of 7,500 cubic yards of trenching at a total project cost of $5,518. I am in agreement with the recommendations of the field examiners.

It is difficult to gainsay the advantages of setting up DMEA contracts in stages. A staged contract provides for the same amount of work as an unstaged one. Staging, moreover, allows the Government to keep better tabs on a project and, in addition, affords a more convenient and diplomatic means of terminating a contract should results prove unpromising. In this instance, however, the very modest proposed project probably could, without adverse effect, be set up in one stage.

W. P. Williams

W. P. Williams

Copy retained 400

Docket

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

RECEIVED
OCT - 9 1956

October 9, 1956

Copy retained 400

WSM

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

From: Commodity Specialist, Branch of Base Metals

Subject: Review of Field Team Report, Docket No. DMEA 4348 (mercury), Matthews Mining Co., El Cajon Mine, San Benito County, California. $15,535.00

The revised program to explore for mercury mineralization at the El Cajon mine is estimated to cost $5,517.50. It consists of three trenches averaging 200 feet long and 15 feet deep, 30 feet wide at the top and 16 feet wide at the bottom. Each trench will penetrate about three feet into bedrock for a distance of about 150 feet.

Based on information submitted in the Field Team report, the exploration appears sound and the costs seem reasonable. It is also believed that the work should be done in one stage.

It is recommended that the modified program for Government assistance to explore for mercury at the El Cajon mine be approved.

J. W. Pennington

J. W. Pennington

Copy to: Division of Minerals
Branch of Base Metals (2)
Thor Kiilsgaard, U.S.G.S.
F. D. Lamb
F i l e s

Copy retained 400

D M E A
Docket

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

RECEIVED
OCT - 3 1956

1605 Evans Avenue
Reno, Nevada

October 1, 1956

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4348 (Mercury)
Matthews Mining Company
El Cajon Mine
San Benito County, California
(Your letter June 29, 1956)

Enclosed are four copies of a report by Walter Bank, Bureau of Mines and D. B. Tatlock, Geological Survey in which a moderate exploration project is recommended. Total cost of project is estimated at $5,517.50.

Since reviewing the report, I have discussed the proposed work with Mr. H. K. Stager, acting for Roscoe Smith, and we are of the opinion that the work should be set up as one Stage instead of the two suggested in the report. One trench would disclose inconclusive data and the property if worth anything at all is certainly worth the expenditure of $4,138.13 Government participation.

S. Ricker

Encl.

Reviewed by
DMEA OPERATING COMMITTEE
10-8-56
(date)

RECEIVED
OCT - 3 1956

UNITED STATES
DEPARTMENT OF THE INTERIOR
FRED A. SEATON, SECRETARY

DEFENSE MINERALS EXPLORATION ADMINISTRATION

REPORT OF EXAMINATION BY FIELD TEAM
REGION II

# APPLICATION REPORT

DMEA-4348 (Mercury)
Matthews Mining Company
El Cajon mine
San Benito County, California

by

Walter Bank
U. S. Bureau of Mines

D. B. Tatlock
U. S. Geological Survey

September 25, 1956

Reviewed by
DMEA OPERATING COMMITTEE
10-8-56
(date)

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## ILLUSTRATIONS


Figure 1 . . . . . Location map

2 . . . . . Claim map

3 . . . . . Geologic map

RECEIVED
OCT - 3 1956

# INTRODUCTION

The Matthews Mining Company, 135 Vine Street, Hollister, California, applied for Government assistance in a $15,535.00 program under the Defense Minerals Exploration Administration, docket DMEA-4348, to explore for mercury at the El Cajon mine, San Benito County, California. The applicant estimates 2,500 tons of ore assaying 10 lbs. Hg/ton and wishes to further explore the property.

A field examination was requested by the Operating Committee and was made by Walter Bank, U. S. Bureau of Mines, and D. B. Tatlock, U. S. Geological Survey, on August 1, 1956, accompanied by Everett J. Matthews, president of the company, Edward S. Matthews, and R. K. Linn.

Inasmuch as the mine area had already been mapped by a consultant no attempt by the field examiners was made to remap the property. The applicant's map was carefully studied and was compared with geologic exposures in the mine area. Past production and grade were checked at the New Idria furnace plant where the applicant's ore is processed. Four samples were taken.

## CONCLUSIONS AND RECOMMENDATIONS

Cinnabar occurs in several small, closely-spaced bodies in hydrothermally altered breccia along a fault zone at least 200 feet wide. Reserves of 2,400 tons averaging 12 lbs. Hg/ton, or 380 flasks, are inferred along a strike length of 800 feet and to a depth of 30 feet.

It is recommended that the Government participate in a two-stage exploration program consisting of three trenches across the brecciated fault zone at a total cost of $5,517.50, of which the Government's share at 75 percent would be $4,138.13.

Richard's letter say one only

The probability of a significant discovery is fair. The project area is readily accessible, and facilities to do the work are already on the property.

## LOCATION, ACCESSIBILITY, AND LOCAL FACILITIES

The El Cajon claims are in secs. 3, 4, 5, and 9, T. 16 S., R. 10 E., M.D.B.&M., San Benito County, California (fig. 1), on the east flank of the Diablo Range at an altitude of 1800 to 2800 feet.

The mine is about 50 miles southeast of Hollister, and 4 miles southwest of Panoche in Clough Canyon. From Panoche, travel west 1.2 miles along a county road, turn south on a private dirt road for 1.0 mile, turn right and continue 3.8 miles to the open pit (fig. 2).

A right-of-way agreement permitting the applicant to truck ore along the private road is being drawn up. The applicant will maintain that road which passenger cars can traverse except in wet weather. It is impractical to work during the rainy winter months.

Precipitation is about 10 inches annually. An earth dam has been built across Clough Canyon to catch water for mining purposes; other earth dams will be built upstream utilizing spoil removed from the exploration trenches. Several small springs along the canyon walls should supply adequate water.

Men can be hired at Hollister for $1.50 per hour plus board for unskilled labor and $3.00 per hour for bulldozer operators. Ore can be furnaced at Idria, 27 miles away. A trucking rate of $4.00 per ton has been quoted and if enough ore is produced the trucking will be contracted.

Mining and other supplies can be obtained in Hollister. Electric power is available within 4 miles of the property. Abbot Hanks, Inc. in Sacramento, and Ernie Castro at the New Idria mine have assayed the applicant's samples.

## HISTORY AND PRODUCTION

The property was located by Edward A. Matthews in March 1955, and began producing ore in May of that year. From May to July 1955

93.28 tons of ore averaging 15 lbs. Hg/ton yielded 18.3 flasks at 90 percent recovery. From March to July 1956 about 2300 tons of ore averaging 15 lbs. Hg/ton yielded 47 flasks. ?

Production (flasks)

| | 1955 | 1956 |
|---|---|---|
| March | | 3.8 |
| April | | 17.8 |
| May | 8.99 | 4.9 |
| June | 8.05 | 1.0 |
| July | 1.25 | 20.0 (estimated) |
| | 18.29 | 47.5 |
| Total: | 65.79 flasks | |

## PROPERTY AND OWNERSHIP

The property consists of 20 unpatented claims which are recorded in Hollister, San Benito County, California (fig. 2).

| | Book | Page |
|---|---|---|
| West Clough No. 1 | 220 | 209 |
| West Clough No. 2 | 220 | 205 |
| West Clough No. 3 | 220 | 211 |
| West Clough No. 4 | 214 | 591 |
| East Clough No. 1 | 220 | 207 |
| East Clough No. 2 | 220 | 193 |
| East Clough No. 3 | 220 | 215 |
| East Clough No. 4 | 220 | 191 |
| East Clough No. 5 | 220 | 203 |
| East Clough No. 6 | 220 | 195 |
| East Clough No. 7 | 220 | 213 |
| East Clough No. 8 | 220 | 201 |
| North Canyon | 220 | 199 |
| Wild Goat | 222 | 109 |
| Juniper Flat | 220 | 197 |
| Rattler No. 1 | 214 | 501 |
| Rattler No. 2 | 214 | 503 |

| | Book | Page |
|---|---|---|
| Rocky Peak | 214 | 593 |
| Rattler No. 3 | 214 | 405 |
| Rattler No. 4 | 222 | 107 |

The discovery claims were leased to the Matthews Mining Company consisting of Edward A. Matthews, the original locator, and his three sons, Everett J., a realtor; Edward S., a farmer; and James D., a part-owner of the Hollister Canning Company. All live in Hollister. Additional claims were staked by the company.

The company plans to hire miners and bulldozer operators, but the owners will supervise what work they can. A consulting geologist is available. The company is financially responsible and plans to provide its share of the costs in money, some labor, and some equipment.

## DEVELOPMENT

Four men, including one of the owners, are working on the property. Intermittent work to date is equivalent to about three months' steady work. The fault zone has been exposed by trenching for about 300 feet along and 200 feet across the strike to depths of 1 foot to as much as 20 feet. About 300 feet south of the workings hydrothermally altered rock is exposed in a road cut for about 200 feet along the strike (fig. 3). A few small exposures of altered rock occur along the stream bed about 1,500 feet south of the mine workings.

Surface facilities consist of:

Camp, with 16 ft. by 16 ft. cabin; oil, gas, and water tanks.
H D 7 bulldozer, good condition.
Jeep, Universal, good condition.
10-ton dump truck, fair condition.
D 2 Skiploader, good condition.
80 cu.ft. compressor, good condition.
Jackhammer, good condition.
Five pipes and brick suitable for small furnace.
Miscellaneous tools and camp equipment.

All equipment is owned by the applicant, but $1,000.00 is still owing on the bulldozer. The applicant is considering purchasing a D 8 bulldozer should a DMEA contract be let.

## GENERAL GEOLOGY

The mine is along a northwest-trending fault zone between Franciscan rocks of Late Jurassic and Early Cretaceous age to the southwest and the Panoche formation of Cretaceous age to the northeast.

The Franciscan consists chiefly of highly indurated, fine- to medium-grained graywacke and interbeds and lenses of black, thin-bedded, silty to argillaceous shale. Some greenstone and rythmically thin-bedded brown chert occur near the fault zone.

The Panoche formation consists of thin-bedded to massive, fine- to medium-grained sandstone and interbedded brown to black shale. The more massive sandstones show cavernous weathering, and in many places the Panoche is recognized by large, hard, spheroidal concretions.

The northwest-trending fault dips steeply northeast and forms a breccia zone as much as 200 feet wide. The zone is composed of sub-angular and lenticular fragments of all kinds of Franciscan and Panoche rocks in a finely pulverized shale matrix. The lenticular fragments are roughly aligned along the trend of the fault. The fault extends at least three and a half miles southeast and one and a half miles northwest of the mine area. Much of the fault zone is covered by alluvium, talus, and flow debris.

Two springs, reportedly containing sulfur, are active about 1,800 feet south of the mine workings.

## ORE DEPOSITS

The quicksilver deposits occur in hydrothermally altered fault breccia along the northwest-trending fault, and consist of impregnations of cinnabar in and between breccia fragments, and of irregular veinlets and disseminations of cinnabar in gouge and in altered hanging-wall sandstone.

Cinnabar is the only ore mineral seen. Some finely disseminated metacinnabar may be present as it is commonly found in the district. A little pyrite occurs with the cinnabar. Other gangue minerals are quartz, chalcedony, clay minerals, and iron oxides. Traces of cinnabar can be seen in almost all of the altered zone, which is exposed in three places along a strike length of 1,500 feet.

Seven small ore bodies have been mined in the fault zone; all but three of these have been almost completely covered over by subsequent bulldozing. Four of the bodies, from which most of the ore has come, are related to minor northeast-trending cross faults which offset the main northwest-trending fault left laterally. Three of the bodies, all very small, are along the northeastern margin of the breccia zone against a steeply-dipping hanging wall of slightly altered Panoche sandstone and shale.

The largest ore body occurred at the steeply north-plunging intersection of the main fault and a cross fault and consisted of nearly vertical veinlets of cinnabar in a zone of gouge and fine breccia against a steeply east-dipping hanging wall of bleached Panoche sandstone. The body extended about 30 feet along the main fault, 20 feet along the dip, and averaged about 3-1/2 feet in thickness. About 200 tons of ore averaging 15 lbs. Hg/ton was mined yielding about 40 flasks.

The best ore exposed so far occurs along the crest and on the flanks of a small low-dipping anticlinal flexure within the fault zone which plunges S 55° E at 40 degrees. The portion of the ore body exposed is 3 feet thick and 8 feet wide and consists of veinlets and disseminations of cinnabar in finely brecciated graywacke containing thin interlayers of black gouge and gray-white clay. The ore averages about 33 lbs. Hg/ton. The flexure is cut

off to the northwest by a pre-ore cross fault. The length of the ore body to the southeast is not known.

In general the ore bodies in the breccia zone are irregular and of little horizontal and vertical extent. Their locations and shapes are controlled by minor faults and fractures and by the physical character of the wall and host rocks. The average grade of the small ore bodies mined so far is about 10 to 33 lbs. Hg/ton.

## SAMPLING

Four samples were collected and are described as follows:

| Sample No. | Hg/ton lbs. | Description |
|---|---|---|
| B-17 | 33.6 | Chip, 4.2 ft. long, representing seam 2.3 ft. thick. From pit near junction of main and cross faults. Mostly gouge, some iron-stained, with cinnabar visible. |
| B-18 | 32.5 | Chip, 5.2 ft. long, representing seam 2.5 ft. thick. 4 ft. north of sample B-17. Mostly gouge, some iron-stained, with cinnabar visible. |
| B-19 | 10.0 | Grab from stockpile which represents ore mined from one seam. |
| B-20 | 0.2 | Grab from mineralized zone above creek bed; zone located just south of country located on on applicant's geologic map. No cinnabar visible. |

## ORE RESERVES

The reserves are summarized as follows:

| Class | Tons | Lbs. Hg/ton | Flasks |
|---|---|---|---|
| Measured | 10 | 33 | 4 |
| Indicated | None | -- | -- |
| Inferred | 2400 | 12 | 380 |
| Totals: | 2410 | 12 | 384 |

Except for measured reserves of about 10 tons in the highest grade ore body (Sample B-17, fig. 3), there is no blocked-out ore at the El Cajon mine, and no indicated reserves. Judging from the distribution of ore bodies already mined along the mineralized breccia zone, it is inferred that additional ore bodies will be discovered along the strike of the breccia zone to the south beneath the alluvial cover.

## PROPOSED EXPLORATION

The applicant proposed to bulldoze four trenches, each about 200 feet long and 300 feet apart, across the southeastward extension of the breccia zone to explore for small, erratically distributed but closely spaced quicksilver ore bodies comparable to those already mined.

The proposal is based on sound geologic data and it is probable that more small ore bodies each containing from 5 to 40 flasks of quicksilver will be found.

In conference with the applicant it was decided to reduce the program to three trenches, each 200 feet long, across the breccia zone along a strike length of 600 feet. Judging from the operator's previous work in the area the depth of cover ranges from a few inches to as much as ten feet. Therefore, the trenches should be about 15 feet deep in order to penetrate at least 3 feet into bedrock.

Underground work and surface drilling are not warranted at the present time because of the small size and erratic distribution of the ore bodies. If, however, trenching indicates that small ore bodies occur consistently in the breccia zone along a strike length of 500 feet or more, then underground exploration might be warranted.

It is recommended that the Government participate in a two-stage program consisting of 7500 cubic yards of trenching at a total cost of $5,517.50, of which the Government's share at 75 percent would be $4,138.13.

Stage I: 2500 cubic yards of trenching.

From approximately 150 feet N 65° E of survey station G, trench S 47° W about 200 feet to explore the southeastern extension of the mineralized zone.

Stage II: 5000 cubic yards of trenching in two or more locations. Two tentative locations are suggested, as follows:

(1) From approximately 190 feet S 63° E of survey station G, trench S 40° W about 200 feet to further explore the mineralized zone.

(2) From approximately 270 feet N 20° E of survey station G, trench N 72° W about 200 feet to further explore the mineralized zone.

Stage II work is to be contingent upon the results of Stage I and on any work done wholly at the operator's expense. The locations

of trenches in Stage II are tentative, and flexibility should be allowed in their exact locations, and in their size and number within the limits of the 5000 cubic yards allowed.

## EXPLORATION COSTS

Estimated costs are based on three trenches averaging 200 feet long and 15 feet deep, 30 feet wide at the top and 16 feet wide at the bottom. Each trench will penetrate about three feet into bedrock for a distance of about 150 feet.

(1) Independent contracts -- None.

( Work is to be performed by the operator.)

| | |
|---|---|
| Bulldozing 7500 cubic yards in three trenches 150 hrs. @ $15.00/hr. | $2,250.00 |

(2) Labor and supervision: - based on 2700 feet of drilling at 125 feet per day.

| | |
|---|---|
| 2 Miners, 25 days each @ $20.00/shift. | $1,000.00 |
| 1 Supervisor-Engineer, 1 month @ $500.00/month | 500.00 |
| Sub-total: | $1,500.00 |

(3) Operating materials and supplies.

| | |
|---|---|
| Explosives, 3 trenches @ $350.00 (300 holes 3 ft. deep in each trench) | $1,050.00 |
| Gasoline, oil, and grease for compressor, 25 days @ $2.50/day. | 62.50 |
| Drill steel and bits, 3 trenches @ $75.00/trench. | 225.00 |
| Sub-total: | $1,337.50 |

(4) Operating equipment.

| | |
|---|---|
| Compressor, to be furnished by operator, ($6,000 value) 1 month @ $100.00 | $ 100.00 |

(5) Rehabilitation and repairs.

| | |
|---|---|
| None | None |

(6) New buildings, improvements, etc.

| | |
|---|---|
| None | None |

(7) Miscellaneous.

| | |
|---|---|
| Payroll taxes, insurance, etc., 1 month | $ 180.00 |
| Analyses of 50 samples for mercury @ $3.00/each. | 150.00 |
| Sub-total: | $ 330.00 |

(8) Contingencies.

| | |
|---|---|
| None | None |

| | |
|---|---|
| Total estimated cost: | $5,517.50 |
| Government participation at 75 percent: | $4,138.13 |

| | |
|---|---|
| Bulldozing 7500 Cu yds @ 30¢ | = 2250.00 |
| Clearing Stacking 3200 Cu yds @ 90 | = 2617.50 |
| Supervision | = 500.00 |
| Sampling | = 150.00 |
| | 5517.50 |

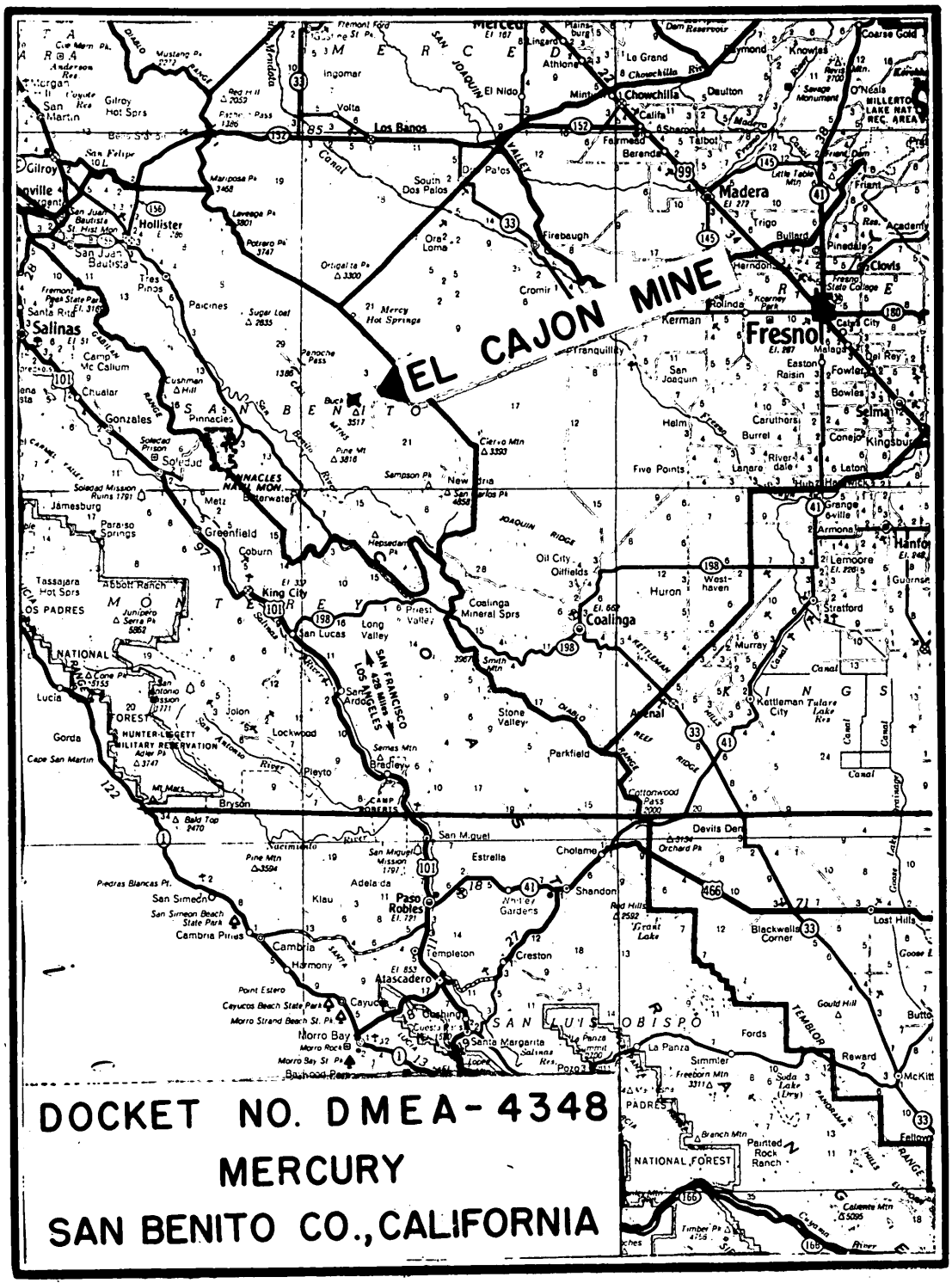



FIG. 1 LOCATION MAP CALIFORNIA

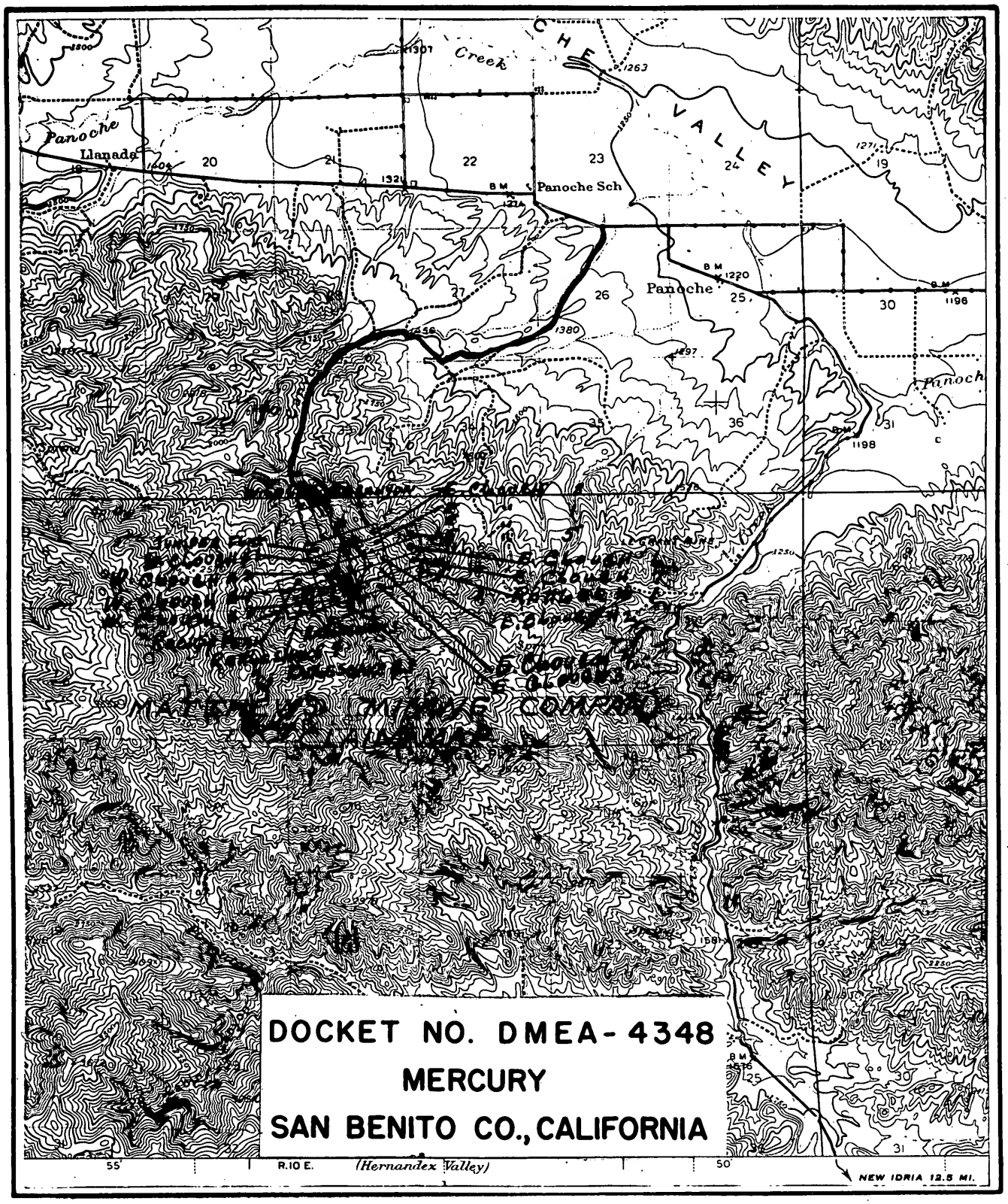



FIG. 2 CLAIM MAP CALIFORNIA

DOCKET
SURNAME

McMahon
Chairman
Selfridge
GCSelfridge

400

1956

Mr. Spangler Ricker, Executive Officer
DMEA Field Team, Region II
1605 Evans Avenue
Reno, Nevada

Re: Docket No. DMEA 4348 - Mercury
Matthews Mining Company
El Cajon Mine
San Benito County, California

Dear Mr. Ricker:

The above-docketed application for exploration assistance is being referred to your office for a field examination of the property.

Copies of memoranda dated June 21 and June 26, 1956, by M. E. Nelson, Geological Survey, and J. W. Pennington, Bureau of Mines, respectively, relating to the project, are enclosed.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (GCS)

APPROVED:

P. F. Yopes (GCS)
Member, Bureau of Mines

Thor H. Kiilsgaard (GCS)
Member, Geological Survey

ADMcMahon/foc
6/28/56
cc to: Docket
Code 400
Admr. Read. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Enclosures

A.C.R.

DOCKET
SURNAME

McMahon
Martin
Yoder
Gelfrey
Fellman

400

JUN 29 1956

Matthews Mining Company
Hollister, California

Re: Docket No. DMEA 4348 - Mercury
El Cajon Mine
San Benito County, California

Gentlemen:

The above docketed application for exploration assistance for mercury ores has been reviewed by the Washington office of the Defense Minerals Exploration Administration and referred to Mr. Spangler Richer, Executive Officer, DMEA Field Team, Region II, 1605 Evans Avenue, Reno, Nevada, for a field examination of the property.

Any assistance that you can give the members of the Field Team will be appreciated.

Sincerely yours,

C. O. Mittendorf

Administrator

ADMcMahon/foc
6/28/56
cc to: Docket
Code 400
Admr. Read. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

R.C.L.

Docket

RECEIVED

JUN 27 1956

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

June 26, 1956

Copy retained 480

WSM

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

From: Commodity Industry Analyst, Branch of Base Metals

Subject: Review of application, Docket No. DMEA 4348 (mercury), Matthews Mining Company, El Cajon Mine, San Benito County, California, $15,535.00

It is proposed to explore the property by 800 feet of surface trenching at an estimated total cost of $15,535.00. For the amount of work proposed, this appears to be an excessive cost.

However, according to the production data, this is a relatively high grade deposit even though the operator probably selectively mined the ore.

I recommend that the application be referred to the Field Team for examination and appraisal.

J. W. Pennington

J. W. Pennington

Attachment

Copy to: Division of Minerals
Branch of Base Metals
Files
R. W. Geehan
Thor Kiilsgaard, U.S.G.S.

Docket

IN REPLY REFER TO:

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

June 21, 1956

Copy retained 400

Re: DMEA 4348
Matthews Mining Co
El Cajon Mine
San Benito Co., Calif.
$15,535.00 - Mercury

WSM

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

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

Subject: Review of application.

The applicant requests assistance in trenching a wide mineralized fault contact zone by 4 bulldozer trenches. A large area has been stripped and about 250 tons of 12-to 15-pound rock has been treated. Reserves are estimated at 2,500 tons of about 12-pound rock. The ore occurs in a fault zone and the trenching is designed to trace the zone southerly. If successful the indicated length will be 1,200 feet.

An examination appears warranted.

Referral of the application to the Field Team for appropriate action is recommended.

N. E. Nelson

N. E. Nelson

RECEIVED
JUN 21 1956

June 20, 1956

Matthews Mining Co.
Hollister, California

Subject: DMEA-4348
Re: Exploration Assistance
El Cajon Mine

Gentlemen

The receipt of your application dated June 12, 1956 for exploration assistance under the Defense Production Act of 1950, as amended, is hereby acknowledged.

Your application has been assigned Docket Number DMEA 4348 and referred to the Iron & Ferro-Alloy Division.

Kindly identify all future correspondence relating to your application by this docket number.

Sincerely yours,

Robert E. Adams, Chief
Operations Control and
Statistics Division

June 20, 1956

Memorandum

To: Executive Officer, DMEA Field Team, Region II

From: Chief, Operation's Control and Statistics Division

Subject: Assignment of Docket Number

There is listed below the assigned docket number to an application recently received from Region II.

DMEA - 4348 Matthews Mining Company

Robert E. Adams
Chief, Operation's Control
and Statistics Division

DMEA

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

RECEIVED
JUN 20 1956

1605 Evans Avenue
Reno, Nevada

June 18, 1956

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Loan Application (Mercury)
Matthews Mining Company
El Cajon Mine
San Benito County, California

Attached are three sets of MF-103, Application for Aid forms relative to above subject. The fourth set has been retained in our files.

S. Ricker

Attach.

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

RECEIVED
JUN 20 1956

1605 Evans Avenue
Reno, Nevada

June 18, 1956

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Loan Application (Mercury)
Matthews Mining Company
El Cajon Mine
San Benito County, California

Attached are three sets of MF-103, Application for Aid forms relative to above subject. The fourth set has been retained in our files.

S. Ricker

Attach.

SRicker:gh
cc: R. M. Smith
File

Standard Form 63
Jan. 1952

U. S. GOVERNMENT

**MEMORANDUM OF CALL**

Date 3-4 | Time 3:20

TO— Mr Rubin

☑ YOU WERE CALLED BY— ☐ YOU WERE VISITED BY—

Miss Fowler

Telephone: | Number or code | Extension

☑ PLEASE CALL
☐ WILL CALL AGAIN
☐ RETURNING YOUR CALL
☐ WAITING TO SEE YOU
☐ WISHES AN APPOINTMENT

Left This Message:

Received by—

☆ U. S. GOVERNMENT PRINTING OFFICE: 1955 O-367998 16—65

MF-103
(Revised April 1952)

UNITED STATES DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Form Approved.
Budget Bureau No. 42-R1035.2.

RECEIVED
JUN 20 1956

# APPLICATION FOR AID IN AN EXPLORATION PROJECT, PURSUANT TO DMEA ORDER 1, UNDER THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

*Not to be filled in by applicant*

Docket No. 4348
Metal or Mineral Mercury
Date Received 6/20/56
Estimated Cost $15,535.00
Participation (Government %)

## INSTRUCTIONS

1. *Name of applicant.*—(*a*) State here your full legal name, in the form in which you will wish to contract, and your mailing address: Matthews Mining Company
Hollister, California

(*b*) If other than an individual, add to your name above whether a corporation, partnership, etc., and the name of the State in which incorporated or otherwise organized.

(*c*) If a corporation, add to above statement, titles, names and addresses of officers.

(*d*) If a partnership, add to the above statement the names and addresses of all partners.

2. *General.*—Read DMEA Order 1, "Government Aid in Defense Exploration Projects," before completing this application. Submit this application and all accompanying papers in quadruplicate (four copies), with your name and address on each sheet of the application and on all accompanying papers. Where sufficient space is not provided on the form for all required information, state it on an accompanying paper, with a reference in each case to the instruction to which it refers by number. Comply with all applicable instructions; or, if not applicable, so state. File the application with Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C., or with the nearest field executive officer thereof.

3. *Applicant's property rights.*—(*a*) State the legal description of the land upon which you wish to explore, including all land which you possess or control that may be benefited by the exploration, and excluding any land or interest in land which is not to be included in the exploration project contract Annex 1
See Property Map and accompanying description

(*b*) State any mine name by which the property is known. El Cajon Mine

(*c*) State your interest in the land, whether owner, lessee, purchaser under contract, or otherwise Owner and operator

(*d*) If you are not the owner, submit with this application a copy of the lease, contract, or other document under which you control the property.

(*e*) If you own the land, describe any liens or encumbrances on it None

(*f*) If the land consists of unpatented claims, add to the description above, the book and page numbers for each recorded location notice. See Annex 1

4. *Physical description.*—(*a*) Describe in detail any mining or exploration operations which have been or now are being conducted upon the land, including existing mine workings and production facilities. State your interest, if any, in such operations. Also describe accessibility of mine workings for examination purposes. See Annex 2

(*b*) State past and current production, and ore reserves, if any, giving quantities and grades. See Annex 1

(*c*) Describe the geologic features of the property, including mineralization, type of deposit (vein, bedded, etc.), and your reasons for wishing to explore. Illustrate with maps or sketches. Send with your application (but not necessarily as a part of it) any geologic or engineering report, assay maps, or other technologic information you may have, indicating on each whether you require its return to you. See Annex 1 and 2

(*d*) State the facts with respect to the accessibility of the project: Access roads, distances to shipping, supply and residence points.

(*e*) State the availability of manpower, materials, supplies, equipment, water, and power.

5. *The exploration project.*—(*a*) State the mineral or minerals for which you wish to explore Cinnabar

(*b*) Describe fully the proposed work, including a map or sketch of the property showing a plan (and cross sections if needed) of any present mine workings, and the location of the proposed exploration work as related to such features as contacts, veins, ore-bearing beds, etc. See Annex 1 on Geologic Map

(*c*) The work will start within 30 days and be completed within 6 months from the date of an exploration project contract.

(*d*) State the operating experience and background of the applicant with relation to the ability to carry out such exploration project, and also that of the person or persons who will supervise the operations. See Annex 1

6. *Estimate of costs.*—Furnish a detailed estimate of the costs of the proposed work (you will have to use a separate sheet), under the following headings. Add the totals under all headings to give the estimated total cost of the project:

(*a*) *Independent contracts.*—(Note.—If the applicant does not intend to let any of the work to contractors, write "none" after this item. To the extent that the work is to be contracted, do not repeat the cost of the contract-work in subsequent items.) State the cost of any proposed independent contracts for the performance of all or any part of the work, expressed in terms of units of work (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, per cubic yard of material moved, etc.). None

(*b*) *Labor, supervision, consultants.*—Include an itemized schedule of numbers, classes and rates of wages, salaries or fees for necessary labor, supervision and engineering and geological consultants. See Annex 1

(*c*) *Operating materials and supplies.*—Furnish an itemized list, including items of equipment costing less than $50 each, and power, water and fuel. See Annex 1

(*d*) *Operating equipment.*—Furnish an itemized list of any operating equipment to be rented, purchased, or which is owned and will be furnished by the Operator, with the estimated rental, purchase price, or suggested use-allowance based on present value, as the case may be. See Annex 1

(*e*) *Rehabilitation and repairs.*—Furnish a detailed list showing the cost of any necessary initial rehabilitation or repairs of existing buildings, installations, fixtures, and movable operating equipment, now owned by the Operator and which will be devoted to the exploration project. None

(*f*) *New buildings, improvements, installations.*—Furnish a detailed list showing the cost of any necessary buildings, fixed improvements, or installations to be purchased, installed or constructed for the benefit of the exploration project.

(*g*) *Miscellaneous.*—Furnish a detailed list showing the cost of repairs to and maintenance of operating equipment (not including initial rehabilitation or repairs of the Operator's equipment), analytical work, accounting, workmen's compensation and employers' liability insurance, and payroll taxes. See Annex 1

(*h*) *Contingencies.*—Give an estimate of any necessary allowances for contingencies not included in the costs stated above.

NOTE.—No items of general overhead, corporate management, interest, taxes (other than payroll and sales taxes), or any other indirect costs, or work performed or costs incurred before the date of the contract, should be included in the estimate of costs.

7. (*a*) Are you prepared to furnish your share of the cost of the proposed project in accordance with the regulations on Government participation (Sec. 7, DMEA No. 1)? Yes

(*b*) How do you propose to furnish your share of the costs?

[X] Money [X] Use of equipment owned by you [ ] Other

Explain in detail on acompanying paper.

## CERTIFICATION

The undersigned, whether as an individual, corporate officer, partner, or otherwise, both in his own behalf and acting for the applicant, certifies that the information set forth in this form and accompanying papers is correct and complete, to the best of his knowledge and belief.

Dated June 12, 1956

Matthews Mining Co.
(Applicant)

By [signature]

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

U. S. GOVERNMENT PRINTING OFFICE 16—66551-1

MATTHEWS MINING COMPANY
SAN BENITO COUNTY CALIFORNIA

RECEIVED
JUN 20 1956

Application For D.M.E.A. Exploration
Project For Quicksilver

Annex I Report
Annex II Geologic Map
Annex III Property Map

## PURPOSE

The purpose of this contract will be to explore the mineralized zone in Clough Canyon on the Matthews Mining Company property in San Benito County.

## DESCRIPTION OF PROPERTY

The property consists of a block of twenty claims centered about Clough Canyon near Panoche in Central San Benito County. (See Annex III)

## OPERATORS PROPERTY RIGHTS
## TOWNSHIP T. 16 S. R. 10 E. M.D.M. IN
## SECTIONS 4, 9, 8, 3, 5 & 10

### MATTNEWS MINING COMPANY CLAIMS

| | NAME | BOOK | PAGE |
|---|---|---|---|
| 1. | West Clough #1 | 220 | 209 |
| 2. | " " #2 | 220 | 205 |
| 3. | " " #3 | 220 | 211 |
| 4. | " " #4 | 214 | 591 |
| 5. | East " #1 | 220 | 207 |
| 6. | " " #2 | 220 | 193 |
| 7. | " " #3 | 220 | 215 |
| 8. | " " #4 | 220 | 191 |
| 9. | " " #5 | 220 | 203 |
| 10. | " " #6 | 220 | 195 |
| 11. | " " #7 | 220 | 213 |
| 12. | " " #8 | 220 | 201 |
| 13. | North Canyon | 220 | 199 |
| 14. | Wild Goat | 222 | 109 |
| 15. | Juniper Flat | 220 | 197 |
| 16. | Rattler #1 | 214 | 501 |
| 17. | " #2 | 214 | 503 |
| 18. | Rocky Peak | 214 | 593 |
| 19. | Rattler #3 | 214 | 405 |
| 20. | Rattler #4 | 222 | 107 |

The nearest shipping, supply and residence point is Hollister which is about 50 miles from the mine. Manpower, materials and equipment are all available at Hollister. Electric power is available within about four miles at the property and water can be supplied by small dams to catch seasonal runoff.

## ORE RESERVES AND PRODUCTION

The deposit, which was originally discovered and located by Mr. Edward A. Matthews of Hollister in March, 1955 began producing by May, 1955. All the ore was trucked to the furnace plant at Idria, and on a basis of a 90% recovery yielded 18.292 flasks of quicksilver from 93.28 tons of ore from May to July 1955. The ore averaged approximately 15 lbs. of Mercury to the ton. Operations were temporarily discontinued until April 1, 1956. But will now be operated on year round basis, weather permitting. Approximately 150 tons have been processed averaging 12# per ton to May 1, 1956. Very little development work has been done on the property therefore it is difficult to arrive at a reasonable ore reserve figure. However, a rough minimum figure is given which is based only on the actual ore in sight taken without separation, the grade being determined by estimating volumes and assay figures.

## ORE RESERVES

Estimated tonnage -- 2500 tons

Estimated yield -- 10# quicksilver per ton on a basis of 90% recovery would yield 25,000 lbs. of quicksilver or 296.06 flasks.

## GEOLOGY

The ore occurs in a mineralized zone at least 200' wide and 700' long in sandstone and shale along a fault contact between the Panoche and Franciscan formations. This zone was originally largely blanketed by overburden which has since been removed by dozing. This overburden consisting of soil, talus and slide material obscures most of the croppings in the area. And there is reason to believe that the same mineralized zone extends to the south along the fault under the alluvium. The shallow stripping was the only development work ever done on the property, and at least traces of cinnabar can be found on nearly every point of the exposed ground. The road cut shown on the accompanying geologic map exposed croppings which prove the mineralized zone extends beneath the alluvium.

The small offset of the main fault as shown on the map is believed to be dominant as an ore control factor. Especially since the best ore occurred in the corner formed by the intersecting faults. This type of structure and the rock associations here are typical of quicksilver mines in the district

It is apparent that other similar structures containing ore may exist beneath the blanket of alluvium.

This is reason for exploring this ground.

## DESCRIPTION OF WORK

The project shall consist of four trenches placed to locate and crosscut the fault and the adjacent mineralized zone. The length and exact position and depth of each cut may vary depending on the position and nature of the mineralized zone. Their combined length shall be no less than 800', the width at the top of each cut about 30' and at the bottom 16'. The depth shall average about 15'.

The consolidated and broken material will be removed with a D 8 bulldozer. It is estimated that ½ of the rock will have to be broken by drilling and blasting prior to moving.

It is the plan of the owners to hire experienced workers and consultants to carry out the project. It is estimated that this work will be accomplished within 90 days working time.

## ESTIMATE OF COSTS

**PERSONNEL**

| | | |
|---|---|---|
| Supervision $700.00 month | (includes compensation liability payroll taxes) | insurance |
| Engineering 200.00 month | | |
| Labor 600.00 month | | |

**SUPPLIES & EQUIPMENT**

| | |
|---|---|
| Oil and Fuel | $425.00 |
| Powder | 500.00 |
| Fuse Caps | 150.00 |
| Bits and Drill Steel | 250.00 |
| Aircompressor and Hammer | 850.00 1975 |

**TRACTOR DOZER & RIPPER RENT**

| | |
|---|---|
| 80 days @112.00 | 8,960.00 15,56 |
| Transportation from Hollister | 100.00 |

**EQUIPMENT TO BE FURNISHED BY OPERATOR**

| | Value |
|---|---|
| H. D. 7 Tractor & Dozer | 4,500.00 |
| 10 Ton Dump Truck | 1,500.00 |
| 1 D-2 Skip Loader | 3,500.00 |
| 1 Jack Hammer | 200.00 |
| 1 Compressor (Small) | 300.00 |
| | $10,000.00 |

| | | |
|---|---|---|
| Total Cost of Contract | | $15,555.00 |
| Government Participation | (75%) | 11,651.25 |
| Operator | (25%) | 3,883.75 |

$1,942 per foot of head

8 | 15,535

5.66/cu ft.

WASHINGTON 25, D. C.

OFFICIAL BUSINESS

Mr. George C. Selfridge, Chairman
Operating Committee - DMEA.
Dept. of The Interior
Washington 25, D.C.

# MATTHEWS MINING COMPANY

## SAN BENITO COUNTY, CALIFORNIA

SEC.4 T16S R10E

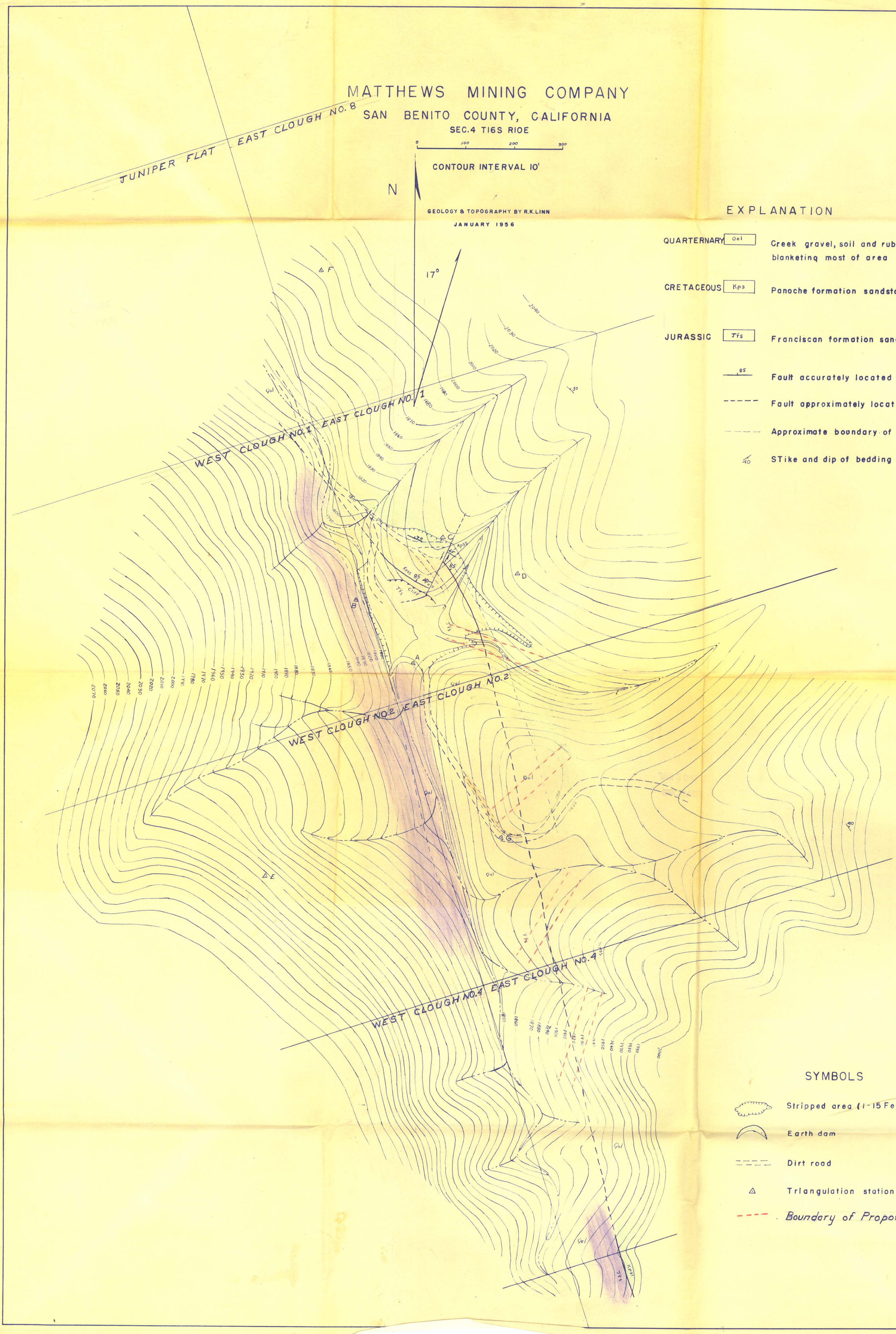
0 100 200 300

CONTOUR INTERVAL 10'

N

GEOLOGY & TOPOGRAPHY BY R.K.LINN

JANUARY 1956




## EXPLANATION

| | | |
|---|---|---|
| QUARTERNARY | Qal | Creek gravel, soil and rubble blanketing most of area |
| CRETACEOUS | Kps | Panoche formation sandstone and shale |
| JURASSIC | Jfs | Franciscan formation sandstone and shale |

Fault accurately located

Fault approximately located

Approximate boundary of mineralized zone

Stike and dip of bedding

## SYMBOLS

Stripped area (1-15 Feet deep)

Earth dam

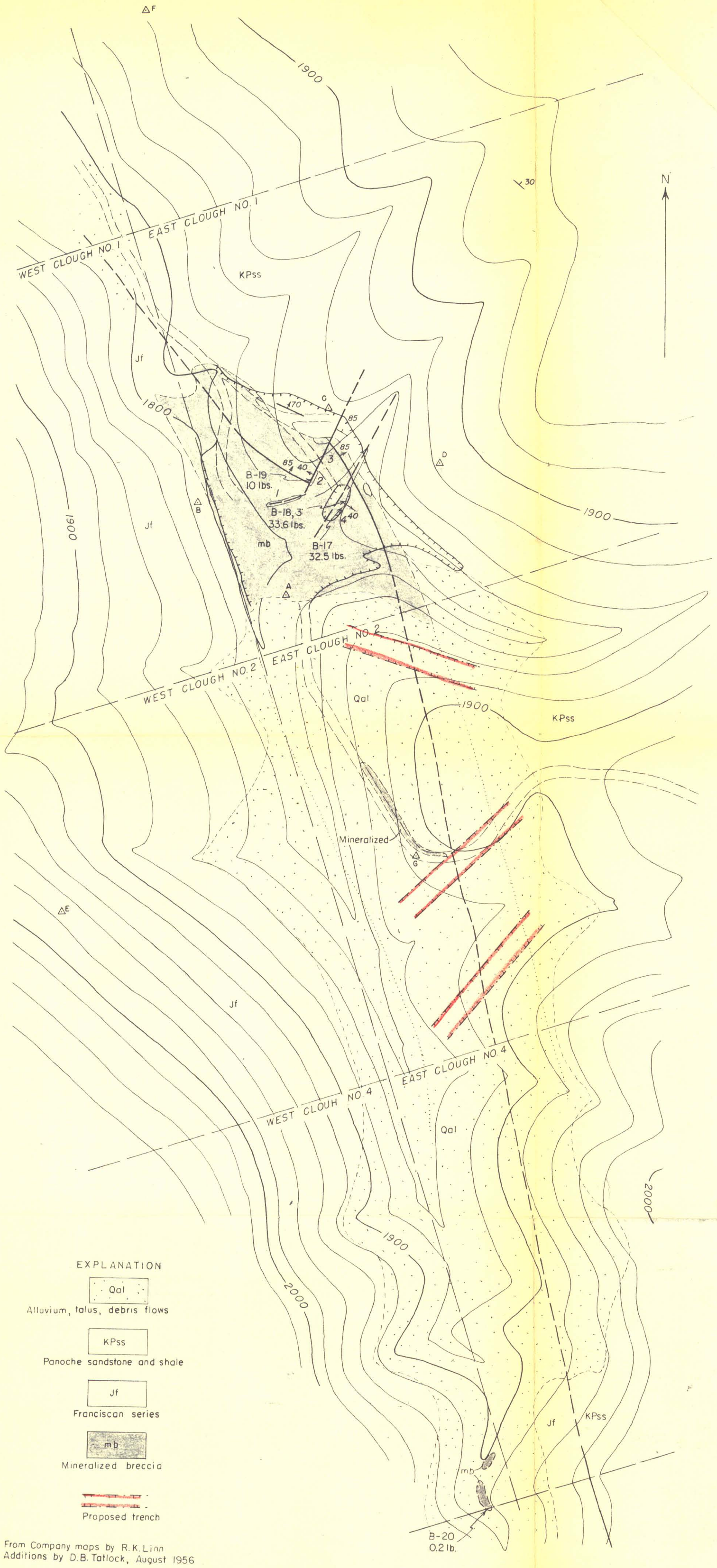
Dirt road

Triangulation station

*Boundary of Proposed Excavations*

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA 4348
(MERCURY)




From Company maps by R.K. Linn
Additions by D.B. Tatlock, August 1956

Figure 3 EL CAJON MINE, SAN BENITO COUNTY, CALIFORNIA

0 100 200 300 Feet

Contour interval 20'

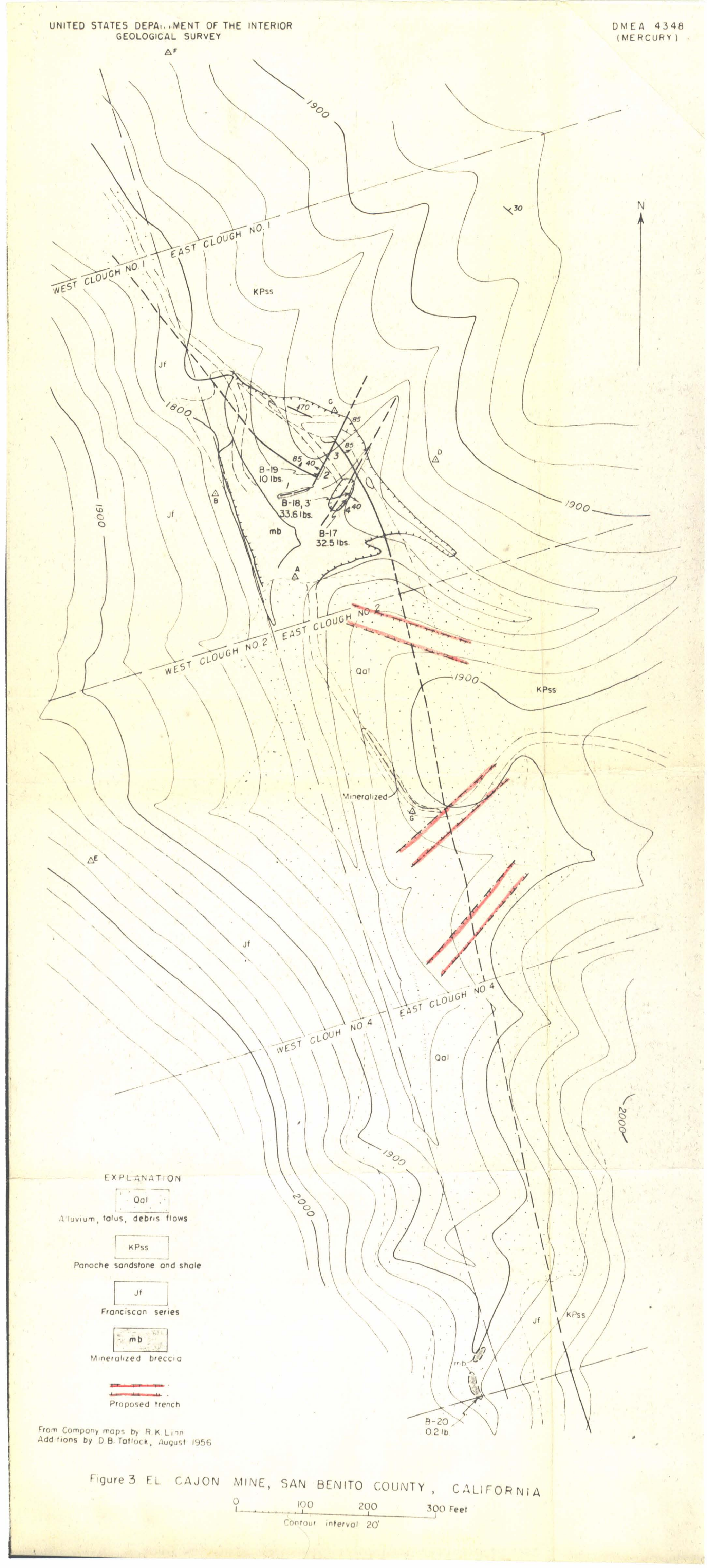



Figure 3 EL CAJON MINE, SAN BENITO COUNTY, CALIFORNIA

Figure 3 EL CAJON MINE, SAN BENITO COUNTY, CALIFORNIA