C/C 16

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

H. C. Gamblin
J. M. Knowles
A Partnership
1307 Colorado Avenue
Grand Junction, Colorado

pertaining to Exploration Project Contract No. Idm-E627, Docket No. DMEA 2959, for the monthsof December, 1953, and January, 1954, covering a project for exploration of Uranium, located in San Miguel County, Colorado, commonly known as the Mack Mine.

My review included an examination of the Monthly Reports (Form MF-104) and supporting documents attached thereto, comparison of costs claimed with the contract and pertinent schedules, consultation with the Government representative who visited and examined the project, and a determination of the reasonableness and propriety of the costs.

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

The contract provides for payment by the operator on the basis of agreed estimated costs of units of work actually performed.

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

Total cost as billed by Contractor		$523.99
Exceptions:		
By DMEA Finance Officer	-0-	
Herewith	-0-	
Total Accepted Cost		$523.99

The contract calls for a 90 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Four Hundred Seventy One and 59/100ths Dollars

- $471.59 -

is considered valid and proper, provided that the Regional Executive Officer, the Administrator, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

Date: March 11, 1954.

T. H. Brading

T. H. Brading, Auditor

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

Budget Bureau No. 42-R1036.4
Approval expires 6-30-53.

RECEIVED MAR 29 1954

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

Month of Dec-Jan, 195 3-4 Docket No. DMEA Contract No. Idm-E627
Operator's Name Gamblin and Knowles Minerals Uranium
Address 337 North Ave., Grand Junction, Colo
Contract Amount, $ 1288.50 Government Participation: 90% Amount, $ 1159.65

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts: ~~Total cost Ft. .859~~			~~Total Cost Feet .859~~			
Drilling	~~610~~ 523.99	None	~~$523.99~~	523.99		523.99
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	~~610~~ 523.99		~~$523.99~~	523.99		523.99

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

Date Jan. 16, 1954 Payee Gamblin and Knowles

Per Jas McKnowles Title Mgr.

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

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

(Instructions on reverse)

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

$ 471.59

Signature [illegible] (Authorized Certifying Officer)

Date 3/24/54 Voucher 54-93

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E627 in accordance with the terms of the contract.

Signature R. R. McLellan 471.59 WMT Title Mining Engineer Date 2/16/54

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature W. H. Kung Title Executive Officer Date MAR 19 1954

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Dec-Jan 195 3-4 Docket No. DMEA 2959 Contract No. Idm-E627
Operator's Name Gamblin and Knowles Minerals Uranium
Address 337 North Ave., Grand Jct., Colo.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT	
							Units	Unit Costs
Drifting								
Crosscutting								
Raising		~~Enter~~	~~Total~~		~~Total~~			
Shafts		~~Total Cost~~	Postage	~~Total cs.~~	~~footing~~			
Winzes		~~(ft. .859)~~						
Drilling, wagon	~~ft.~~	$523.99	610	$523.99	610	.859	1500	.859
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
								TOTAL COSTS AUTHORIZED BY CONTRACT
TOTAL DISTRIBUTED COSTS		$523.99	610	$523.99				
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		$523.99	610	$523.99				

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

Date Jan. 16, 1954 Operator Gamblin and Knowles

Per Jas M. Knowles Title Mgr.

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

REMARKS: Due to the extremely poor showings in holes drilled, the operator concluded that it wasn't feasible to continue the contract to its conclusion-this conclusion was concurred in by Mr. Shawe, the inspecting geologist.

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

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

224 New Customhouse
Denver 2, Colorado

March 25, 1954.

Memorandum

To: Secretary to the Operating Committee

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA-2959 (Uranium), Contract No. Idm-E627, a partnership consisting of H. C. Gamblin and J. M. Knowles, San Miguel County, Colorado.

Enclosed are two copies of the Operator's Monthly Progress Report, Form MF-104 and MF-104A, Operator's Narrative Report, Inspecting Engineer's Narrative Report, and other supporting data pertaining to work under the subject contract for the months of December 1953 and January 1954.

Also enclosed are two copies of a memorandum to Mr. T. A. Christensen, dated March 19, 1954, relative to final payment under the terms of the subject contract.

Final payment to the Operator in the amount of $471.59 has now been made in conformance with the final Report of Review by the Contract Administration and Audit Division, dated March 11, 1954.

John F. Shaw
For W. H. King

Enclosures

224 New Customhouse
Denver 2, Colorado

March 19, 1954

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 2959 (Uranium), Contract Idm-2027, a partnership consisting of A.E. Gamblin and J.M. Knowles, San Miguel County, Colorado - Operator's Monthly Progress Report for the period of December 1953 and January 1954 - FINAL PAYMENT

Enclosed are the original and four copies of Form Ms-104 and 104A, operator's narrative report, and inspecting engineer's narrative report for the above period. This report constitutes the operator's final claim for reimbursement under the terms of the contract and is the only report submitted, inasmuch as the work was completed within the stated period.

The contract was terminated by mutual agreement as of March 3, 1954 at the completion of 510 feet of wagon drilling, a portion of the work authorized under Stage I of the contract. The operator has complied with the terms of the contract and final payment is recommended as follows, which is in conformance with the final report of review by the Contract Administration and Audit Division, dated March 11, 1954, which was released to this office March 18, 1954.

<u>Basis for final payment</u>

Total accepted cost..... $523.99

Government participation at 90%..... 471.59

Amount due the operator..... 471.59

W. H. King
W. H. King

JWT:jp

Enclosures

cc Contract - Chron
Sec. to Oper. Comm. (2)
W.Traver
JWTownsend

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
February 17, 1954

Memorandum

To: Executive Officer, Field Team, Region IV

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

Subject: DMEA 2959, contract Idm-2687 (Uranium), Gamblin and Knowles (Lee Mack and Blue Bell claims), San Miguel County, Colorado - Progress report for December and January

Enclosed are the original and four copies of the above progress report, the initial one--forms MF-104 and MF-104A--with narrative, sketch map, wagon drill logs, and the original and six copies of R. R. McLellan's memorandum covering inspection of the progress and accounting.

DMEA representatives inspections indicated the 24 wagon drill holes had been completed for a total of 610 feet without encountering worthwhile mineralization in any of the holes.

On February 2, 1954, I submitted to you the contractor's request for termination. McLellan in his memorandum recommends such procedure and the recommendation has my approval.

Payment is approved and certified on the MF-104 form of $471.59, or 90 percent of the total $523.99 claimed by the contractor.

W. M. Traver

W. M. Traver

enclosures

cc 4
2687
DMEA Charon.

WMT/pam

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
February 17, 1954

Memorandum

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

From: Russell R. McLellan

Subject: DMEA 2959, contract Ida-2627 (Uranium), Gamblin and Knowles (Lee Mack and Blue Bell claims), San Miguel County, Colorado - Progress report for December and January

The Lee Mack and Blue Bell project was visited on January 8, 1954, at which time the operator had completed 14 wagon drill holes without encountering uranium mineralization. An additional 10 holes also failed to locate mineralization; consequently, the operator has indicated that he wishes to terminate the contract with a total of 610 feet of drilling completed. Since the 24 holes that were completed are in the areas previously considered to be the most favorable, it is the writer's opinion that the operator's request to terminate is justified. An examination of the cuttings indicates that the ore sand apparently becomes less favorable for ore deposition as the drilling progressed back from the rim exposures. A Geiger counter check of the cuttings from all holes revealed no radioactivity.

The operator has submitted drill hole logs and a map showing the location of the 24 holes totaling 610 feet of drilling from an allowable 1,000 feet in Stage I of the short-form contract.

Pending audit and receipt of final reports, it is recommended that payment be made of $471.59, or 90 percent of the $523.99 claimed.

Russell R. McLellan
Russell R. McLellan
Mining Engineer

cc 6
E627
DMEA Chron.

RRM/pam

Grand Junction, Colo.
January 16, 1954

U.S. Dept. of Interior
D. M. E. A. Bureau of Mines
Denver, Colo.

Gentlemen:

The following is a narrative report on the D. M. E. A. #2959 just terminated by Gamblin and Knowles in the Slick Rock Area.

The operator drilled all of the close holes around the outcroppings and old workings, and a few holes out away from them, a total of 24 holes, as you will see by the accompanying logs, and was justified in terminating the operation without finishing it. There is very little of the ore formation left, and what is left shows so very little evidence of the conditions that make for deposition that there was no chance of finding anything of value; so, upon conferring with Mr. Mc Lellan of your office, and Mr. Fischer down here, it was concluded we terminate the contract. Mr. Shawe, Geological Survey Geologist, upon examination, concurred.

Sincerely,

Gamblin and Knowles

By Jas M Knowles, Mgr

C O P Y

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

April 30, 1954

Mr. H. C. Gamblin
1307 Colorado Avenue
Grand Junction, Colorado
and
Mr. J. M. Knowles
337 North Avenue
Grand Junction, Colorado

Re: Docket No. DMEA-2959 (Uranium)
Contract No. Idm-E627
Lee Mack-Blue Bell Claims
San Miguel County, Colorado

Gentlemen:

This is with reference to the subject Exploration Contract between you and the Government.

The Auditor's Report of Review of the contract expenditures and the final reports of the Operator and of the Field Team have been received and accepted by this Administration. Of the total amount of $1,288.50 approved under the contract, the sum of $523.99 was expended, 90 percent of which, or $471.59, represented the Government's share. There were no unused materials, supplies or equipment to be disposed of for the joint account of the Operator and the Government. The exploration work was completed in a satisfactory manner.

Because the results of the exploration were unfavorable, it is not our intention to make a certification of discovery or development which would create a lien against the subject property. We are, therefore, closing our books and records with respect to this project. Your attention is called, however, to Article 5 (d) of the Contract which requires the Operator to "keep and preserve said records and accounts for at least 3 years after the completion of the project or the termination of this contract".

Your interest in the Exploration Program of the Defense Minerals Exploration Administration and your willingness to participate therein are appreciated.

Sincerely yours,

/s/ C. O. Mittendorf

MChing/gla 4/27/54
cc to: Admr. Reading File
Operating Committee
Docket
Code 700
A. P. Butler
H. D. Keiser
M. Ching
J. Ol Hosted

cc to: Mr. J. M. Knowles

GOVERNMENT COPY

TERMINATION OF EXPLORATION PROJECT CONTRACT BY AGREEMENT AFTER COMMENCEMENT BUT BEFORE COMPLETION OF THE WORK

It is agreed this 3rd day of March, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government", and a partnership consisting of H. C. Gamblin and J. M. Knowles, hereinafter called the "Operator", parties to that certain Exploration Project Contract Id[illegible]27, Docket No. DMEA-2959, dated October 21, 1953, that said contract shall be and is hereby terminated at the completion of 610 feet of wagon drilling, which is a part of the work described under Stage I of Exhibit "A" attached thereto and made a part of said contract.

Any work prosecuted or costs incurred by the Operator after the date first above written shall be for the sole account of the Operator, except for (a) such necessary and reasonable costs and expenses as may be incurred in preserving and disposing of any facilities, buildings, fixtures, equipment, or other items, to the cost of which the Government has contributed and in which the Government has an equity, and (b) the costs of any reports, accounts, and winding-up and settlement actions provided for in the contract.

The undersigned Operator hereby releases and agrees to save harmless the Government from all claims and demands under or arising out of said Exploration Project Contract, except as herein expressly otherwise provided.

Witness the following signatures as of the day and year first above written.

GAMBLIN AND KNOWLES

By H C Gamblin
H. C. Gamblin, Partner

By Jas M Knowles
J. M. Knowles, Partner

UNITED STATES OF AMERICA

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

[illegible] Box 360
[illegible], Colo.

February 1, 1954

To: [illegible], District I.

Through: [illegible]

E-627

From: [illegible], Geologist

Subject: Recommendation [illegible] be made in the contract [illegible]

[illegible] drilling, [illegible] holes on a proposed [illegible] on the [illegible] claim, Slick Rock District, [illegible], Colo., [illegible] encountered no mineralization [illegible], the claim owners, [illegible] and [illegible] of [illegible], Colo., have requested that the drilling program be terminated.

[illegible], [illegible], [illegible] holes [illegible]. All [illegible] holes were [illegible] on the [illegible] stock. [illegible], the [illegible] pre-Cambrian [illegible] which occur on the [illegible] claim [illegible] considerably [illegible] tons of feet north of the [illegible], and [illegible] ore. It is also recommended that the [illegible] drilling contract [illegible] be terminated in accordance with the requests of the claim owners.

R. P. Fischer

cc: orig. and 1 to [illegible]
1. H. Kaschmann, I
[illegible], I

AHKoehman
2/3/54

C
O
P
Y

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Mines

Region IV

Building 20, Room 137
Denver Federal Center
Denver 14, Colorado
February 2, 1954

Memorandum

To: Executive Officer, DMEA Field Team, Region IV

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

Subject: DMEA 2959, Contract Idm-E627 (Uranium), Gamblin and Knowles (Lee Mack and Blue Bell claims), Slick Rock district, San Miguel County, Colo.

There are enclosed six copies of a request by the operator of the subject contract for termination of the project by agreement after commencement but before completion.

The request accompanied their claim for 610 feet of wagon drilling, and the progress report will be processed as soon as the inspecting engineer, R. R. McLellan, returns from the Plateau. On the date of his inspection in January, the work was virtually completed and he stated that in his opinion contract should be terminated.

/s/ W. M. Traver

Enclosure

C
O
P
Y

Grand Junction, Colorado
February 1, 1954

Mr. W. H. King, Executive Officer,
DMEA Field Team Region 4,
224 New Custom House,
Denver 2, Colorado.

Dear Mr. King:

Owing to the poor showing on the 610 feet drilled on DMEA Contract Idm--E627, I wish to terminate the aforesaid exploration contract by agreement after commencement but before completion.

Sincerely yours,

/s/ J. M. Knowles, Mgr.

Gamblin & Knowles

Docket No. DMEA - 2959

Commodity Uranium

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

Contract No. Idm-E 627

Date of Contract or Amendment: Oct. 21, 1953

Name and Address of Operator:
Franklin and Knowles
1307 Colorado Ave.
Grand Junction, Colorado

Amount of Government participation $ 1,159.65

Percent of Government participation 90 %

Region: IV State: Colorado

Note: Please release $ 688.06 ; Advice Contract Administration and Audit Division.

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

(Title)

Date Delivered to Bureau of Mines, Washington. 4/7/54

54458

Document No. DMEA 2050

Commodity Uranium

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

Contract No. Idm-E 627

Date of Contract ~~or Amendment~~: October 21, 1953

Name and Address of Operator:
H. C. Gamblin, 1307 Colorado Ave.
J. M. Knowles, 337 North Ave, (partnorship
Grand Junction Colorado

Amount of Government participation $ 1,159.65

Percent of Government participation 90 %

Region: IV State: Colorado

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

(Title)

Date Delivered to Bureau of Mines, Washington. 10/21/53

13808

MF-200 (A)
(February 1952)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 28 1953

DOCKET NO. DMEA 2959

COMMODITY Uranium

Idm-E627

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

EXPLORATION PROJECT CONTRACT[1]
(Short Form)

IT IS AGREED this 21st day of October, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] a partnership consisting of
H. C. Gamblin 1307 Colo. Ave., Grand Junction, Colo.
J. M. Knowles 337 North Ave., Grand Junction, Colo.

~~and as set forth in Annex I attached hereto~~
hereinafter called the "Operator," as follows: and made a part hereof.

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of Colorado, County of San Miguel, described as follows:[3] Two unpatented mining claims recorded in the County Recorder's Office as follows:
Lee Mack Claim Book 176 Page 276
Blue Bell Claim Book 176 Page 277
the Operator represents and undertakes:[4]

~~(a) That the Operator is the owner in possession and entitled to possession, and the Owner's Consent to Lien is attached to the property described herein, or the subordination agreement of the holder is attached.~~

None

(*b*) That the Operator is a lessee, in possession and entitled to possession, and the Owner's Consent to Lien is attached.

The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof.

ARTICLE 3. *Exploration project.*—The Operator, within (60) sixty days from the date of this contract shall commence work on a project of exploration for[5] Uranium

in or upon the described land; and shall bring the project to completion within a period of Four Months from the date of this contract. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided. The work shall be performed by the Operator or by independent contractor or contractors efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmen's compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 4. *Costs of the project.*—The agreed, estimated costs of performing the work, expressed in terms of units of work to be performed (per foot of drifting, per foot of drilling, per cubic yard of material to be moved, etc.) are set forth in Exhibit "A," attached hereto. The Government will pay (90) Ninety percent of these agreed, estimated costs, as they accrue, for units of work actually performed that conform with the description or specifications for the work set forth in this contract, in an aggregate total amount not in excess of $1,159.65, which is (90) Ninety percent of $1,288.50, the agreed, estimated total cost of the project in which the Government will participate: *Provided,* That until the Operator's final report and final accounting have been rendered to the Government and any final check or auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract. The Government may, as it sees fit, make payments direct to the Operator's independent contractors, if any, for the account of the Operator, rather than to the Operator.

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

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

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

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

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

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

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

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

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

(*b*) As here used, "net smelter returns," "net concentrator returns," and "other net amounts realized from the sale or other disposition," mean gross revenue from sales, or if not sold, the market value of the material after it is mined in the form in which and the place where it is held. In the case of integrated operations in which the material is not disposed of as such, these terms mean what is or would be the gross income from mining operations for percentage depletion purposes in income-tax determination.

(*c*) To secure the payment of its percentage royalty, the Government shall have and is hereby granted a lien upon the land described in Article 2 and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

(*d*) This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

ARTICLE 7. *Assignment, transfer, or loss of Operator's interest.*—Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder. The Operator shall not make any voluntary nor permit any involuntary transfer or conveyance of the Operator's rights in the land described in Article 2, without making suitable provision for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof; *Provided*, that mere failure by the Operator to maintain the Operator's rights in the land, without any consideration running to the Operator other than relief from the cost of maintaining such rights (as by surrender of a leasehold, failure to perform assessment work, or failure to exercise an option), coupled with complete abandonment by the Operator of all interest in or operations on the land for a period of 10 years from the date of this contract, shall not constitute such a transfer or conveyance. Should the Operator make or permit any transfer or conveyance in violation of this provision, the Operator shall be and remain liable for payment to the Government of the same amounts, at the same times, as would have been paid under the terms of the percentage royalty on production. If for any reason the net smelter returns, net concentrator returns, or other net amounts realized from the sale or other disposition of such production are not available as a means of measuring the amount of the Operator's liability, the amount thereof shall be estimated as well as may be, and in the event of dispute as to such estimates, the determination thereof by the Administrator of Defense Minerals Exploration Administration or by his successor shall be final and binding upon the Operator.

ARTICLE 8. *Termination and completion.*—The Government may, at any time, by written notice to the Operator, terminate this contract: (*a*) If the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (*b*) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (*c*) if, in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worth while discovery and in the opinion of the Government further operations are not justified.

ARTICLE 9. *Changes and added provisions* _____

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

H. C. Gamblin and J. M. Knowles
(Operator)

By H C Gamblin

Jas M Knowles

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

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

_____ [CORPORATE SEAL]

U. S. GOVERNMENT PRINTING OFFICE 16—66329-1

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 28 1953

ANNEX I

The following provisions are in lieu of all of paragraph (a) of Article 6 which precedes the colon:

If the Government considers that a discovery or development from which production may be made has resulted from the exploration work, the Government, at any time not later than six months after a sufficient, complete, final report and final account referred to in the contract 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. The Operator, or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land described in Article 2, 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 of discovery or development, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first, unless the Government waives its right to a royalty; or (2) if the Government makes a certification of discovery or development, for a period of ten years from the date of the contract, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production (including any bonuses), in whatever form disposed of, including ore, concentrates, or metal, as follows:

MF-203

OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of Colorado, County of San Miguel, described as follows: 1/ Two unpatented mining claims recorded in the County Recorders Office as follows:

Lee Mack Claim	Book 176	Page 276
Blue Bell Claim	Book 176	Page 277

which is the subject of a proposed exploration project contract, hereinafter called the "contract", between the United States of America, hereinafter called the "Government", and

2/ A partnership consisting of H. C. Gamblin and J. M. Knowles of Grand Junction, Colorado

hereinafter called the "Operator"; and

WHEREAS, under certain provisions of said contract which are set forth on the reverse side hereof, the Government is entitled to a percentage royalty on production and to certain other rights and equities which do or may conflict with or be adverse to the interest of the undersigned in said property;

NOW THEREFORE, the undersigned, in consideration of said contract and as an inducement to the Government to enter into same, undertakes and agrees as follows:

1. The Government's equity in and right to dismantle, sever, take possession of, and remove and dispose of facilities, buildings, fixtures, equipment, or other items as provided in the contract, or any amendment thereof, shall prevail over and be prior and superior to any conflicting or adverse rights of the undersigned, and the Government is authorized to enter upon the land for such purposes.

2. To secure the payment to the Government of the percentage royalty on production 3/ provided for under the terms of said exploration project contract, or any amendment thereof which does not increase the maximum amount of the Government's claim here stated or alter the provisions for repayment, there is hereby granted to the Government a lien upon the land herein described and upon any production of minerals therefrom, until the royalty claim is fully paid in the amount of the Government's contribution, not in excess of 4/$ 1159.65, or ten years have elapsed from the date of the contract.

3. The undersigned shall commit no act nor assert any claim that may contravene or conflict with the lien, claim, or rights of the Government under the provisions of said contract. This agreement shall be binding upon the heirs, executors, administrators, successors and assigns

RELEVANT CONTRACT PROVISIONS

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

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

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

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

(b) As here used, "net smelter returns", "net concentrator returns", and "other net amounts realized from the sale or other disposition", mean gross revenue from sales; or if not sold, the market value, the market value of the material after it is mined in the form in which and the place where it is held. In the case of integrated operations in which the material is not disposed of as such, these terms mean what is or would be gross income from mining operations for percentage depletion purposes in income tax determination.

(c) To secure the payment of its percentage royalty, the Government shall have and is hereby granted a lien upon the land described in Article 2 and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

(d) This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

Title to and disposition of property. All facilities, buildings, fixtures, equipment, or other items costing more than $50.00 each, paid for or purchased with funds contributed jointly by the Operator and the Government, although title may be taken in the name of the Operator, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the completion of the work or the termination of the contract shall be disposed of promptly by the Operator for the joint account of the Government and the Operator, either by return to the vendor, by sale to others, or purchase by the Operator at a price at least as high as could otherwise be obtained, as may appear to be for the best interest of the Government, unless the Government, in writing, waives its interest in any such item. If necessary to accomplish such disposition, the Operator shall dismantle, sever from the land, and remove any such item, the cost thereof to be for the joint account of the parties in proportion to their respective interests. If the Operator, within 90 days after the receipt of written notice from the Government, fails, neglects, or refuses to dispose of such property, the Government may itself enter upon the land, take possession of, and remove and dispose of any such property as above provided.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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EXHIBIT A

Description of the Work

The Lee Mack Claim will be explored in two stages by wagon drilling.

Standard sampling equipment must be used and samples taken in all mineralized zones and in all zones where mineralization is likely to be present. Sampling equipment and methods must meet the approval of Defense Mineral Exploration Administration representatives and follow the recognized sampling methods now in use and approved by the Geological Survey and Atomic Energy Commission for wagon drilling on the Colorado Plateau.

STAGE I

Drill two rows of holes on 50-foot centers back from the mine workings identified as 1, 2, 3, and 4 on the attached map. Drill the remaining favorable area with holes on 100-foot centers. The approximate location of all holes and the favorable area is shown on the attached "Sketch map of the Lee Mack and Blue Bell claims" which is made a part of Exhibit A. Two holes will be drilled in the western portion of the claim to check the possible extension of the favorable sand. Approximately 40 holes or 1000 feet of drilling will be required. In addition, approximately 3 hours of bulldozing will be done on the Blue Bell claim at Number 6 pit to further investigate a minor exposure of Uranium mineralization.

STAGE II

500 feet of drilling for offset holes at not less than 25 foot centers will be allowed only with prior written approval of the DMEA representative. The location of these holes to be determined after the completion of Stage I.

Estimated cost of the Project

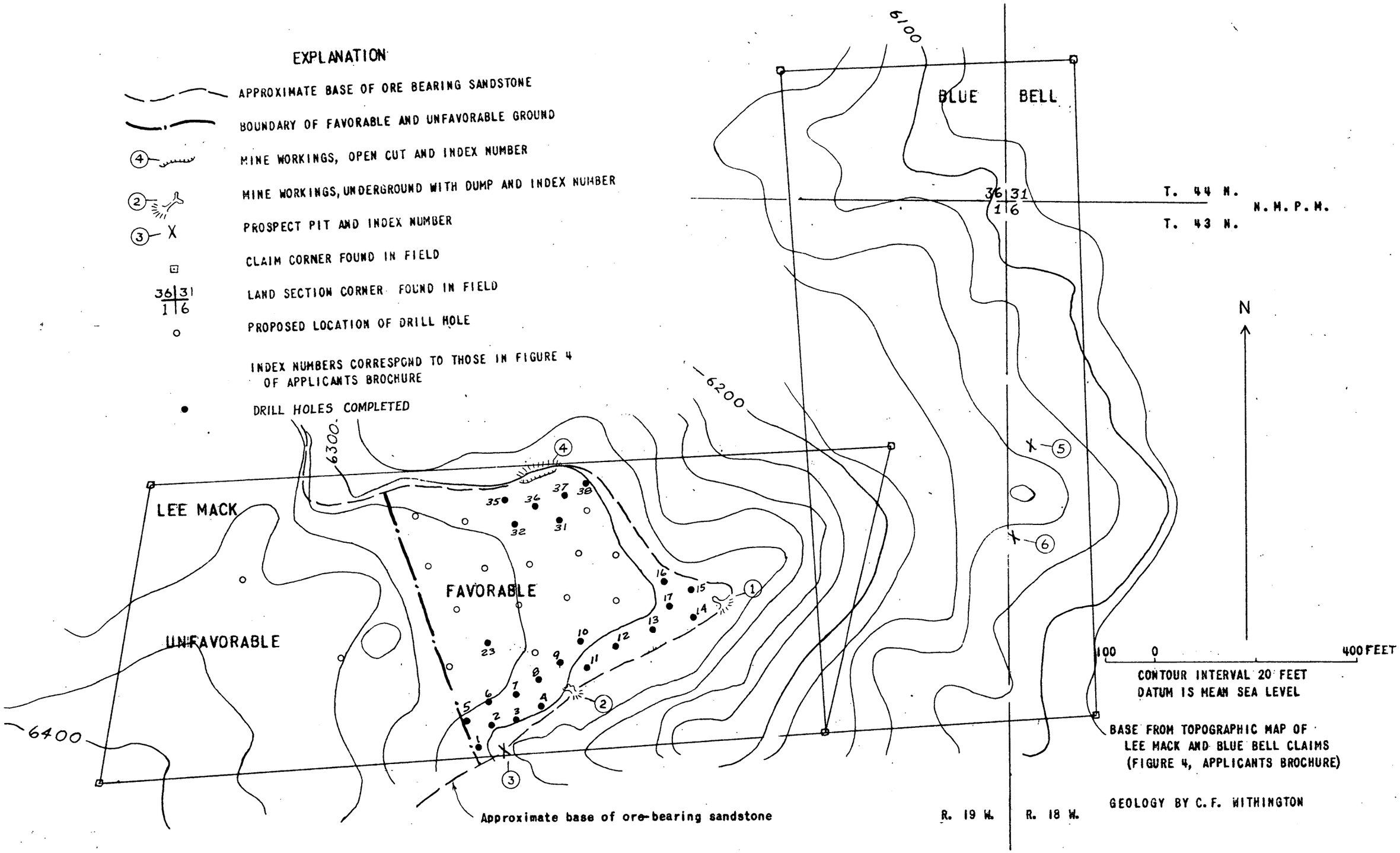
STAGE I

1/	1000 feet of wagon drilling at $0.859 per foot	$859.00
	Government participation at 90%	$773.10

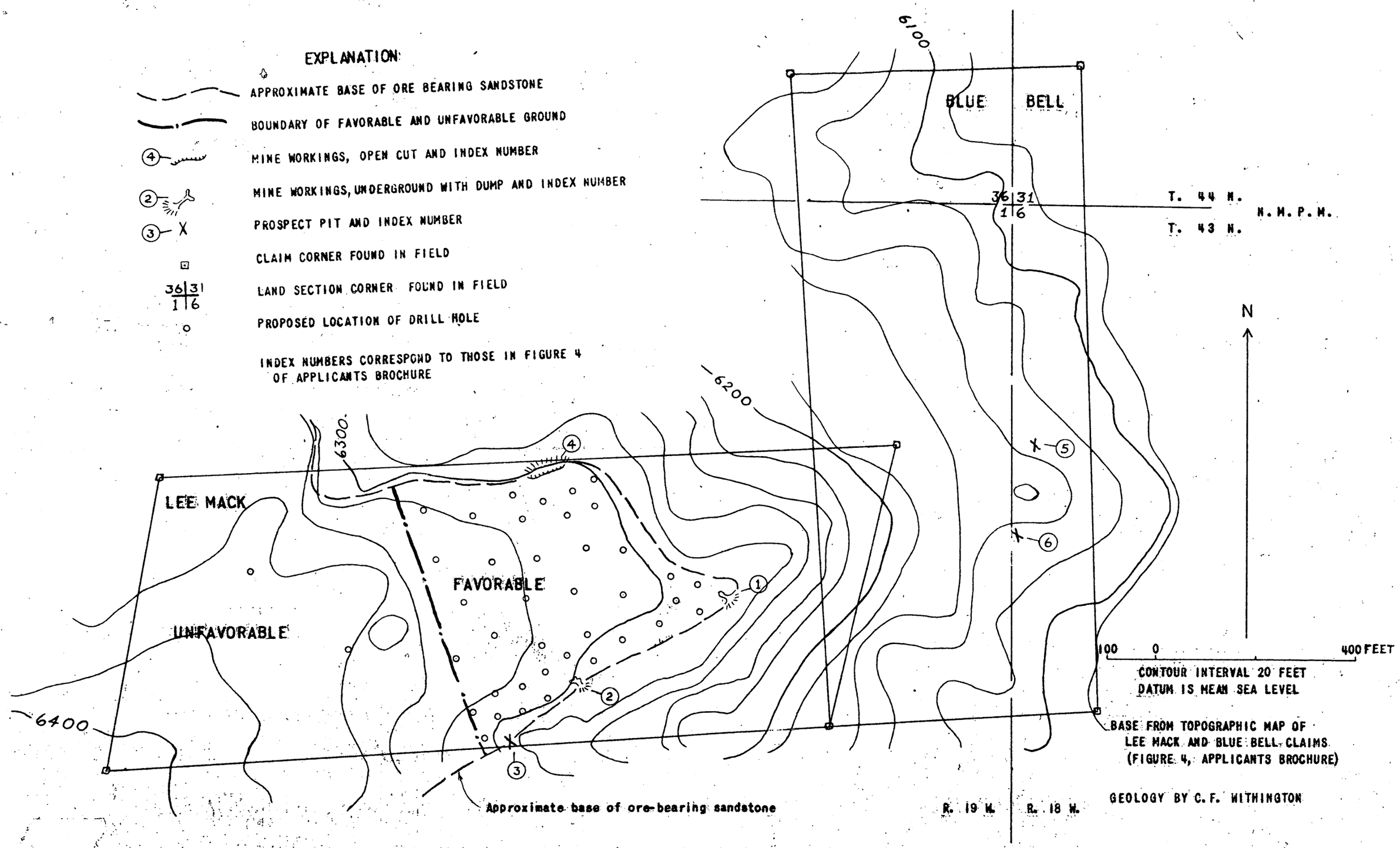
STAGE II

1/	500 feet of wagon drilling at $0.859 per foot	$429.50
	Government participation at 90%	$386.55
	Total Estimated cost of project	$1288.50
	Total Government participation	$1159.65

1/ Includes bulldozer drill-site preparation and exploration, engineering and geological consultant, sampling and any and all other costs incurred in the completion of the work.



SKETCH MAP OF THE LEE MACK AND BLUE BELL CLAIMS, SLICK ROCK DISTRICT, SAN MIGUEL COUNTY, COLORADO, SHOWING THE PROPOSED LOCATIONS OF 40 DRILL HOLES FOR STAGE 1 DRILLING
MAY 1953



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